

City of Leon Valley, Texas

**Comprehensive Annual Financial Report
For the Year Ended
September 30, 2010**

Prepared by:

Vickie Wallace
Director of Finance

**CITY OF LEON VALLEY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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CITY OF LEON VALLEY, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2010

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INTRODUCTORY SECTION

LEON VALLEY

T E X A S

SMALL TOWN HOSPITALITY. BIG CITY ADVANTAGES.

October 28, 2010

The Honorable Mayor, Members of City Council
and Citizens of the City of Leon Valley:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2010.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive frame-work of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The City of Leon Valley financial statements have been audited by Holtman Wagner and Company, a firm of licensed certified public accountants. They have issued an unqualified “clean” opinion on the City of Leon Valley’s financial statements for the year ended September 30, 2010. The independent report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City, incorporated in 1952, is a residential community located in south central Texas in the northwest portion of the San Antonio Metropolitan Statistical Area. The City is located in Bexar County, Texas. Bexar County’s economy is based on military, tourism, agriculture, limestone mining, medical facilities, and manufacturing. The City has a land area of 3.5 square miles and is surrounded on all sides by the City of San Antonio. Most City residents are employed within the greater San Antonio Metropolitan Statistical Area. A full range of services is provided to residents and businesses, including police and fire protection, construction and maintenance of streets and infrastructure, recreational activities, and water and sewer utilities. The City population based upon the 2000 census is 9,239. The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City’s property tax rate is average compared to the rest of Bexar County.

The City is operated under the council-manager form of government. Policy making and legislative authority are vested in the City Council, which consists of a mayor and a five-member council. The Council is elected on a non-partisan basis at large. Council members are elected to two-year staggered terms. The Mayor is elected at large to a two-year term. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and the hiring of a City Manager. The City Manager is responsible for carrying out the policies and ordinances of the governing Council, overseeing the day-to-day operations of the City, and appointing the heads of the City's departments.

The City maintains extensive budgetary controls. The objective of these controls is to ensure the proper safeguarding of City assets, compliance with State budgetary statutes and compliance with legal provisions embodied in the annual budget approved by the City Council. Activities of the General Fund, Debt Service Fund, Water and Sewer (Enterprise) Fund, Community Center Fund, Building Security Fund, Child Safety Fund, Municipal Court Technology Fund, Street Maintenance Tax Fund, Police Forfeiture Fund, and Grant Fund are included in the City's annual budget. Capital Projects Fund activities are expected to extend beyond one or more fiscal years, and are therefore budgeted on a project-by-project basis. Federal, State, and local grants are budgeted for at the time of grant acceptance.

The annual budget serves as the foundation for the City of Leon Valley's financial planning and control. Generally the City has a policy of funding current year operating expenditures with current operating revenues. Capital purchases are funded from the fund balance that is unreserved and designated for capital projects. All agencies of the City of Leon Valley are required to submit requests for appropriation to the City Manager on or before the first week in May each year. The City Manager then presents this proposed budget to the Council for review in July. The Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than September 30, the close of Leon Valley's fiscal year.

The City has adopted financial policies for budgetary control that is stricter than is required by law. The appropriated budget is prepared by fund, department (e.g. police), and function (e.g. patrol). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 42-44 as required supplemental information for the governmental funds.

Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Leon Valley operates.

The City of Leon Valley has experienced an economic downturn over the past few fiscal years. The regions leading industries, in terms of gross sales for the City, are auto dealers/gasoline service stations and food stores, a significant portion of sales for these businesses is not subject to local sales taxes.

Long-Term Financial Planning

The Council has established by policy a fixed dollar amount of \$800,000 for the general fund as the unreserved, undesignated fund balance for emergency purposes.

The City also maintains a five-year Capital Acquisition Plan (CAP) to provide for capital outlay expenditures. Each fiscal year, the CAP is reviewed and analyzed by the City Manager and City staff to determine needs for office and other machinery and equipment, vehicles, buildings and building improvements, land, and improvements other than buildings. The five-year CAP is authorized by City Council during the City's annual budget adoption process. As items are funded only when deemed necessary, capital outlay details and amounts vary between budget years. The plan is funded from the unreserved, designated fund balance for capital projects.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Leon Valley for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2009. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for the preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

We would like to extend our sincere thanks and appreciation to the finance department, and all City staff and department heads who helped in the preparation of this report. A special thanks goes to our Mayor and City Council for their strong leadership and support, their sense of civic duty and responsibility, and their diligence in conducting the operations of the City in a responsible and progressive manner.

Respectfully submitted,



Lanny S. Lambert
City Manager



Vickie Wallace
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Leon Valley
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**CITY OF LEON VALLEY, TEXAS
LIST OF PRINCIPAL OFFICERS
SEPTEMBER 30, 2010**

ELECTED OFFICIALS

Chris Riley, Mayor

Councilmember Place 1
Councilmember Place 2
Councilmember Place 3
Councilmember Place 4
Councilmember Place 5

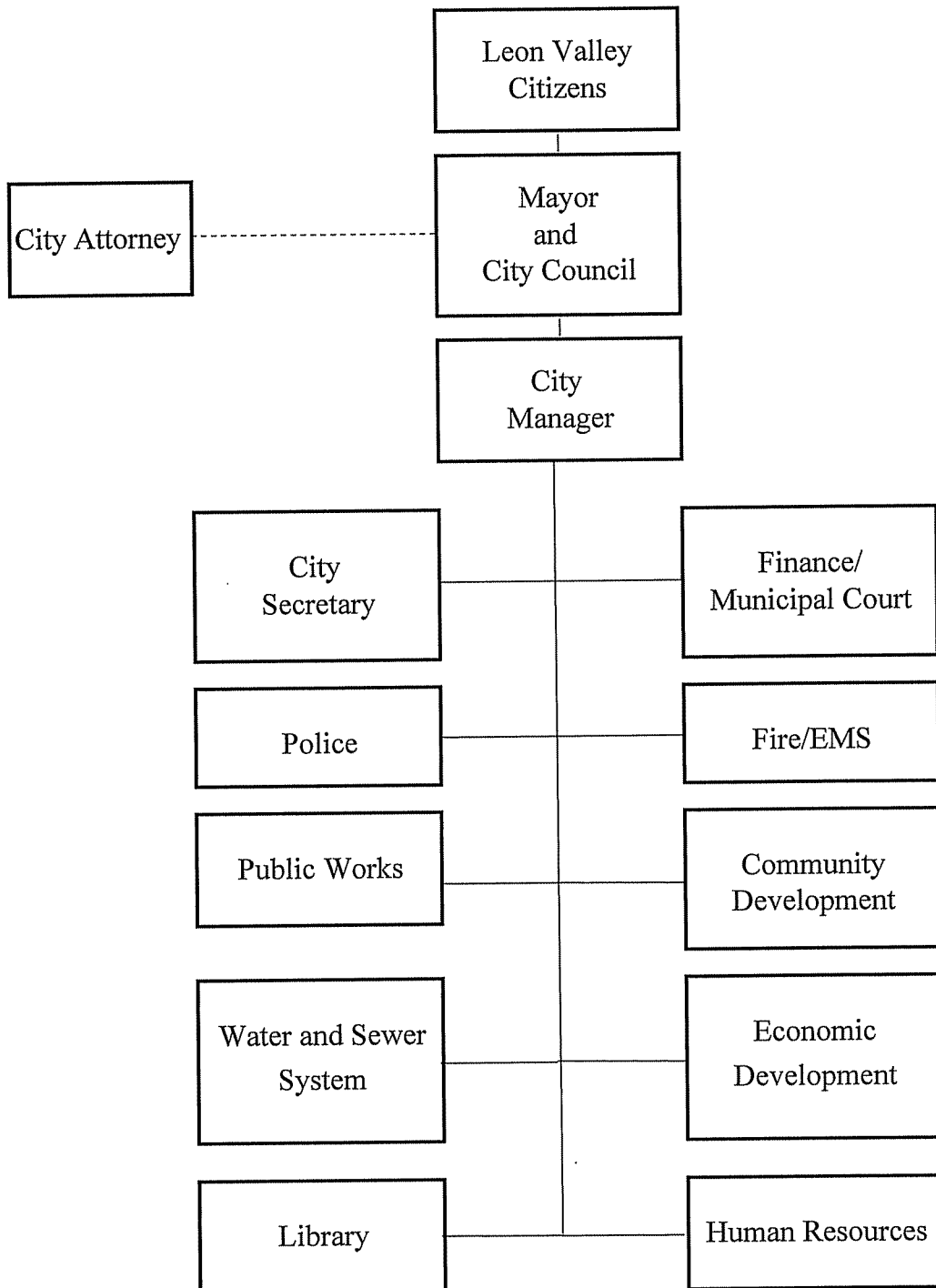
Rudy Garcia
Arthur "Art" Reyna, Jr.
Irene Baldrige
Jack Dean
Cathy Nelson

CITY OFFICIALS

City Manager
City Secretary
Finance Director
Community Development Director
Economic Development Director
Police Chief
Fire Chief
Librarian
Public Works Director

Lanny S. Lambert
Janie Willman
Vickie Wallace
Kristie Flores
Rose Ryan
Randall Wallace
Stan Irwin
Joyce Trent
Byron Vick

**City of Leon Valley
Organizational Chart**



FINANCIAL SECTION

HOLTMAN, WAGNER & COMPANY, L.L.P.

Certified Public Accountants

876 Loop 337, Building 501
New Braunfels, TX 78130
830-625-1182
Fax 830-625-1498

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The City of Leon Valley, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Leon Valley as of and for the year ended September 30, 2010 as listed in the table of contents. These financial statements are the responsibility of the City of Leon Valley's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Leon Valley as of September 30, 2010, and the respective changes in its financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2010 on our consideration of the City of Leon Valley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required

supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Leon Valley's financial statements as a whole. The introductory section, the combining and individual non-major fund financial statements, and the statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying budgetary comparison schedule on page 42 and the combining and individual non-major fund financial statements are the responsibility of management and was derived from and relate directly to the underlying accounting records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Holtman Wagner & Company LLP

New Braunfels, Texas
October 28, 2010

Management's Discussion and Analysis

As management of Leon Valley, we offer readers of Leon Valley's financial statement this narrative overview and analysis of the financial activities of the City of Leon Valley for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the financial statements provided in this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$16,910,499 (net assets). Of this amount, \$6,327,331 (unrestricted net assets) may be used to meet Leon Valley's ongoing obligations to citizens and creditors.
- During the year, the City's net assets increased by \$920,987.
- The general fund reported a fund balance this year of \$3,199,031, a decrease of \$924,772. The decrease is attributable to the purchase of a new fire truck. Debt was issued in FY 2009 to fund the purchase, however the fire truck was not completed and delivered until FY 2010.

Overview of the Financial Statements

This discussion and analysis is intended to serve as the introduction of the City of Leon Valley's basic financial statements which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business financial presentation.

The *statement of net assets* is a presentation of the City's assets and liabilities, including capital and infrastructure assets, and long-term liabilities. This statement reports the difference between assets and liabilities as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information regarding increases and decreases to the government's net assets for the fiscal year. Changes in net assets are recorded when the underlying event giving rise to the change occurs regardless of the timing of cash flows. Therefore, revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused personal leave). Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). Governmental activities include general government, public safety, public works, parks and recreation and library. The business-type activities of the City are water and sewer. The City has one component unit which is a 4B Economic Development Corporation.

Fund Financial Statements. The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements are used to present financial information detailing resources that have been identified for specific activities. The focus of the fund financial statements is on the City's major funds, although non-major funds are also presented in aggregate and further detailed in the supplementary statements. The City uses fund accounting to ensure and demonstrate compliance with requirements placed on resources. Funds are divided into three types: governmental, proprietary, and fiduciary. However, the City does not have any fiduciary funds.

Governmental funds. Governmental funds are used for essentially the same functions reported in the governmental activities in the government-wide financial statements. However, unlike the government-wide statement, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

As the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

Proprietary funds. The City maintains one type of proprietary fund. Enterprise funds are used to report the functions presented in business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for the provision of water and sewer services to residents.

Proprietary fund financial statements provide separate and more detailed information for the water and sewer fund. The water and sewer fund is considered a major fund of the City.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information on the City's General Fund budget, which is adopted on an annual basis. A budgetary comparison statement has been provided for this fund in order to demonstrate budgetary compliance with this budget.

Government-wide Financial Analysis

GASB No. 34, basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, requires that the City provide a comparative analysis of government-wide data. Below is a comparative summary of the governmental activities and business-type activities as required by GASB Statement No. 34.

City of Leon Valley, Texas
Statement of Net Assets
For the Year Ended September 30, 2010
(With Comparative Totals for September 30, 2009)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Assets:						
Current assets	\$ 5,340,508	\$ 6,077,709	\$ 2,883,826	\$ 2,780,765	\$ 8,224,334	\$ 8,858,474
Capital assets	9,583,549	8,722,970	3,897,305	3,635,029	13,480,854	12,357,999
Total assets	<u>\$ 14,924,057</u>	<u>\$ 14,800,679</u>	<u>\$ 6,781,131</u>	<u>\$ 6,415,794</u>	<u>\$ 21,705,188</u>	<u>\$ 21,216,473</u>
Liabilities:						
Current liabilities	\$ 986,117	\$ 906,381	\$ 347,846	\$ 427,294	\$ 1,333,963	\$ 1,333,675
Long-term liabilities	3,411,702	3,845,381	43,624	47,905	3,455,326	3,893,286
Total liabilities	<u>\$ 4,397,819</u>	<u>\$ 4,751,762</u>	<u>\$ 391,470</u>	<u>\$ 475,199</u>	<u>\$ 4,789,289</u>	<u>\$ 5,226,961</u>
Net assets:						
Investment in capital assets, net of related debt	\$ 6,213,549	\$ 6,147,970	\$ 3,897,305	\$ 3,635,029	\$ 10,110,854	\$ 9,782,999
Restricted net assets	132,581	193,145	339,733	323,508	472,314	516,653
Unrestricted net assets	4,180,108	3,707,802	2,147,223	1,982,058	6,327,331	5,689,860
Total net assets	<u>10,526,238</u>	<u>10,048,917</u>	<u>6,384,261</u>	<u>5,940,595</u>	<u>16,910,499</u>	<u>15,989,512</u>
Total liabilities and net assets	<u>\$ 14,924,057</u>	<u>\$ 14,800,679</u>	<u>\$ 6,775,731</u>	<u>\$ 6,415,794</u>	<u>\$ 21,699,788</u>	<u>\$ 21,216,473</u>

The largest portion of the City's net assets, \$10,110,854 represents its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Leon Valley uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Of the other net assets, \$472,314 represents resources that are subject to external restrictions on how they may be used. The remaining \$6,327,331 represents unrestricted net assets, which can be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities. Governmental activities increased net assets by \$477,321. Key elements of this increase are as follows:

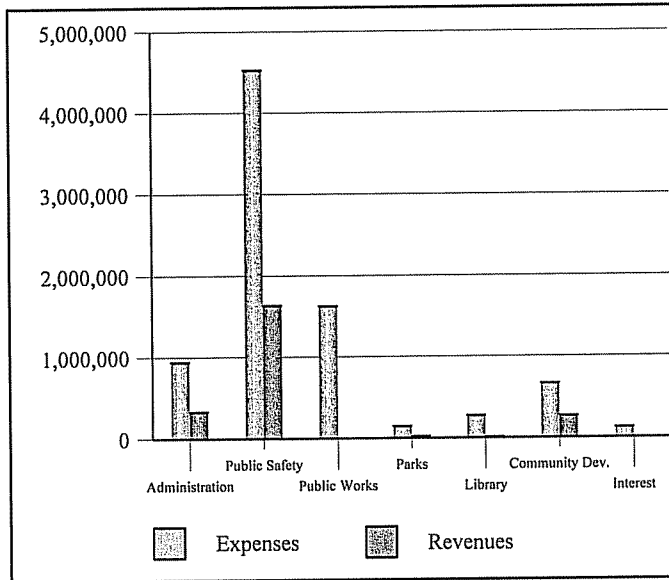
City of Leon Valley, Texas
Change in Net Assets
For the Year Ended September 30, 2010
(With Comparative Totals for September 30, 2009)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Program Revenues						
Charges for services	\$ 2,034,299	\$ 1,746,977	\$ 2,840,701	\$ 2,638,172	\$ 4,875,000	\$ 4,385,149
Operating grants and contributions	9,953	127,151	-	-	9,953	127,151
Capital grants and contributions	218,790	59,499	-	-	218,790	59,499
General Revenues:						
Property taxes	3,552,821	3,573,352	-	-	3,552,821	3,573,352
Sales tax	2,207,901	2,045,615	-	-	2,207,901	2,045,615
Franchise fees	677,001	656,329	-	-	677,001	656,329
Impact fees	-	-	239,490	83,782	239,490	83,782
Interest	8,546	35,325	4,444	14,634	12,990	49,959
Miscellaneous	11,025	-	44,575	32,953	55,600	32,953
Total revenues	8,720,336	8,244,248	3,129,210	2,769,541	11,849,546	11,013,789
Expenses						
Administration	940,156	805,391	-	-	940,156	805,391
Public safety	4,525,947	4,439,516	-	-	4,525,947	4,439,516
Public works	1,624,573	1,535,333	-	-	1,624,573	1,535,333
Parks and recreation	144,742	100,777	-	-	144,742	100,777
Library	274,701	281,725	-	-	274,701	281,725
Community development	664,712	680,352	-	-	664,712	680,352
Utility	-	-	2,631,544	2,357,800	2,631,544	2,357,800
Interest and fiscal agent fees	122,184	187,862	-	-	122,184	187,862
Total expenses	8,297,015	8,030,956	2,631,544	2,357,800	10,928,559	10,388,756
Other financing sources (uses):						
Transfer out	-	-	(54,000)	-	(54,000)	-
Transfer in	54,000	-	-	-	54,000	-
Increase in net assets	477,321	213,292	443,666	411,741	920,987	625,033
Net assets at beginning of year	10,048,917	9,835,625	5,940,595	5,528,854	15,989,512	15,364,479
Net assets at end of year	\$ 10,526,238	\$ 10,048,917	\$ 6,384,261	\$ 5,940,595	\$ 16,910,499	\$ 15,989,512

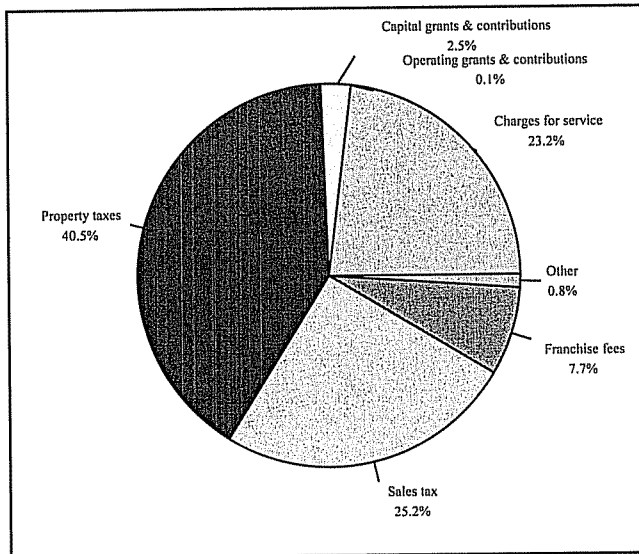
Revenue for governmental activities for the fiscal year ended September 30, 2010 totaled \$8,720,336 an increase of \$476,088 over fiscal year 2009 total revenues of \$8,244,248. Property taxes decreased 20,531

during the year. Expenses for governmental activities totaled \$8,297,015, an increase of \$266,059 over fiscal year 2009.

Expenses and Program Revenues - Governmental Activities



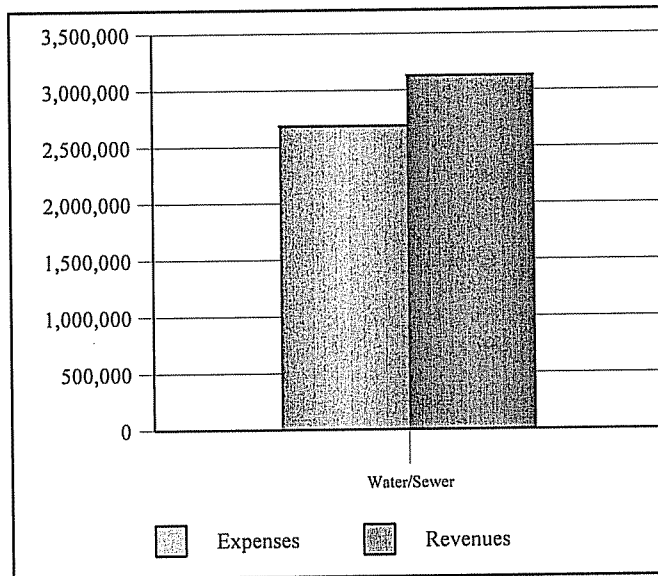
Revenues by Source - Governmental Activities



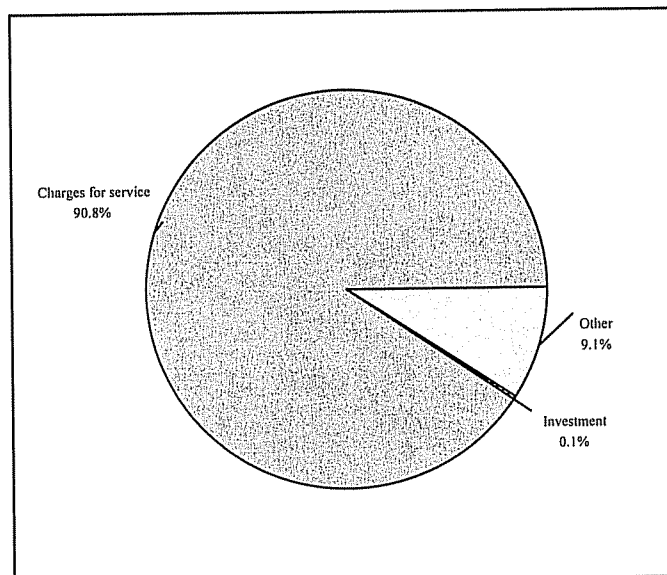
Business-Type of Activities. Business-type activities increased net assets by \$443,666. Key elements of this increase are as follows:

- Charges for service for business-type activities increased by \$202,529 which is attributable to a 3% rate increase and the addition of a Storm Water fee.
- Investment earnings decreased by \$10,190 for business-type activities because of the overall market conditions and interest rates.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Activities of the Primary Government's General Fund, Special Revenue Funds and Debt Service Funds are considered general government functions. The General Fund is the City's general operating fund. Special Revenue Funds are used to account for proceeds of specific sources that are legally restricted as to expenditures. The Debt Service Fund is used to account for financial activity related to the City's general bonded indebtedness, as well as long-term obligations.

As of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,637,315 a decrease of \$688,360 in comparison with fiscal year 2009. The general fund which is the chief operating fund of the City, at the end of the current fiscal year, had an unreserved fund balance of \$3,066,450. Of this total, \$2,266,450 was designated for capital projects.

For the fiscal year ended September 30, 2010 the fund balance of the City's general fund decreased by \$924,772. A key factor in the reduction is as follows:

- The purchase of a fire truck that was funded with the issuance of debt in FY 2009, but was not completed and delivered until FY 2010.

The debt service fund has a total fund balance of \$165,926, all of which is reserved for the payment of debt service. The net increase in the fund balance during the current year in the debt service fund was \$11,497.

The Federal Police Forfeiture Fund has a total fund balance of \$569,121, all of which is legally restricted. The net increase in the fund balance during the current year in the Police Forfeiture Fund was \$266,586.

Proprietary funds. The City's proprietary fund provided the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$2,147,223. Of that total, \$1,797,223 was designated for capital projects. The total growth in net assets for the water and sewer fund was \$443,666. Other factors concerning the finances of this fund have already been addressed in the discussion of the business-type activities.

General Fund Budgetary Highlights

Over the course of the year, the City revised its budget for a total increase of \$1,456,647. The following are the main components of the increase:

- \$999,936 supplemental appropriation to the fire department to purchase a fire truck that the city had committed to in FY 2009, but was not received until FY 2010;
- \$99,775 supplemental appropriation for a Master Redevelopment Plan. Project was started in FY 2009 but was not completed until FY 2010;
- \$26,000 supplemental appropriation for a Texas EMS/Trauma Grant;

- \$25,000 supplemental appropriation for a SECO Loan;
- \$40,000 supplemental appropriation for pool repairs;
- \$50,000 supplemental appropriation for a CDBG Grant;
- \$33,494 supplemental appropriation to purchase park land;
- \$13,200 supplemental appropriation to purchase Self Contained Breathing Apparatus cylinders.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2010, amounts to \$13,480,854 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, and roads. The City's investment in capital assets for the fiscal year ended September 30, 2010 increased by \$1,122,855 from FY 2009, mainly due to the purchase of a fire truck.

City of Leon Valley, Texas Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 664,655	\$ 631,161	\$ 76,348	\$ 76,348	\$ 741,003	\$ 707,509
Construction in progress	18,805	-	-	-	18,805	-
Water rights	-	-	710,157	413,157	710,157	413,157
Buildings	1,605,377	1,439,946	7,926	8,336	1,613,303	1,448,282
Improvements	-	-	2,927,352	3,048,261	2,927,352	3,048,261
Transportation and equipment	2,450,400	1,667,730	175,522	88,927	2,625,922	1,756,657
Infrastructure	4,844,312	4,984,133	-	-	4,844,312	4,984,133
	<u>\$ 9,583,549</u>	<u>\$ 8,722,970</u>	<u>\$ 3,897,305</u>	<u>\$ 3,635,029</u>	<u>\$ 13,480,854</u>	<u>\$ 12,357,999</u>

Additional information on the City of Leon Valley's capital assets can be found in note F of this report.

Long-term debt. For the fiscal year ended September 30, 2010, the City had a total bonded debt outstanding of \$3,370,000 in general obligation bonds.

**City of Leon Valley, Texas
Outstanding Debt Long-Term Debt**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation and Refunding Bonds	\$3,370,000	\$3,635,000	-	-	\$3,370,000	\$3,635,000
Compensated absences	510,702	475,380	54,424	49,591	565,126	524,971
	<u>\$3,880,702</u>	<u>\$4,110,380</u>	<u>\$54,424</u>	<u>\$49,591</u>	<u>\$3,935,126</u>	<u>\$4,159,971</u>

The City total debt decreased \$265,000 fiscal year ended September 30, 2010. Additional information on the City of Leon Valley's long-term debt activity can be found in Note G of this report.

Economic Factors and Next's Year Budget and Rates

- For FY 2010, sales tax increased 7.93% from FY 2009.
- Using the certified tax roll as of October 1, FY 2010 taxable values for the tax year 2010 decreased \$16,702,295.

These factors were taken into account when adopting the general fund budget for FY 2011, sales tax was conservatively budgeted with a 4.5% increase. Amounts available for appropriation in the general fund budget are \$6,854,606.

Expenditures for the General Fund are budgeted at \$7,031,704. The largest increase comes from personnel costs which is due to health insurance and retirement increases. No merit or cost of living adjustments were included.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, 6400 El Verde Road, Leon Valley, Texas 78238.

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City of Leon Valley, Texas
Statement of Net Assets
September 30, 2010

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		
ASSETS				
Cash and cash equivalents	\$ 4,479,189	\$ 2,454,111	\$ 6,933,300	\$ 190,538
Accounts receivable-net of allowances for uncollectible:				
Property taxes	155,878	-	155,878	-
EMS charges	-	-	-	-
Special assessment	11,744	-	11,744	-
Other	107,745	312,646	420,391	-
Due from other governments	505,450	-	505,450	38,354
Inventories	12,631	-	12,631	-
Prepaid items	1,525	-	1,525	-
Restricted cash, customer deposits	-	117,069	117,069	-
Capitalized bond issue costs	66,346	-	66,346	-
Capital assets:				
Land	664,655	76,348	741,003	-
Construction in progress	18,805	-	18,805	-
Water rights	-	710,157	710,157	-
Buildings	1,605,377	7,926	1,613,303	-
Water/wastewater system-plant	-	2,927,352	2,927,352	-
Transportation and equipment	2,450,400	175,522	2,625,922	-
Infrastructure	4,844,312	-	4,844,312	-
Total assets	\$ 14,924,057	\$ 6,781,131	\$ 21,705,188	\$ 228,892
LIABILITIES				
Accounts payable	\$ 231,237	\$ 211,215	\$ 442,452	\$ -
Accrued expenses	218,860	14,162	233,022	-
Accrued interest payable	47,320	-	47,320	-
Payable from restricted assets, customer deposits	-	117,069	117,069	-
Deposits payable	19,700	-	19,700	-
Non-current liabilities:				
Due within one year	469,000	5,400	474,400	-
Due in more than one year	3,411,702	49,024	3,460,726	-
Total liabilities	4,397,819	396,870	4,794,689	-
NET ASSETS				
Invested in capital assets, net of related debt	6,213,549	3,897,305	10,110,854	-
Restricted for:				
Inventory	12,631	-	12,631	-
Prepaid expense	1,525	-	1,525	-
Parks	49,531	-	49,531	-
Library	55,013	-	55,013	-
Tree and land	13,881	-	13,881	-
Water supply	-	339,733	339,733	-
Unrestricted net assets	4,180,108	2,147,223	6,327,331	228,892
Total net assets	10,526,238	6,384,261	16,910,499	228,892
Total liabilities and net assets	\$ 14,924,057	\$ 6,781,131	\$ 21,705,188	\$ 228,892

The accompanying notes are an integral part of this statement.

City of Leon Valley, Texas
Statement of Activities
For the Year Ended September 30, 2010

Functions and Programs	Expenses	Charges for Services	Operating Grants and Contributions
Primary government governmental activities:			
Administration	\$ (940,156)	\$ 330,541	\$ -
Public safety	(4,525,947)	1,589,362	2,772
Public works	(1,624,573)	-	-
Parks and recreation	(144,742)	15,010	-
Library	(274,701)	1,987	7,181
Community development	(664,712)	97,399	-
Interest and fees	(122,184)	-	-
Total governmental activities	(8,297,015)	2,034,299	9,953
 Business-type activities:			
Water/Wastewater	(2,631,544)	2,840,701	-
Total business-type activities	(2,631,544)	2,840,701	-
 Primary government	\$ (10,928,559)	\$ 4,875,000	\$ 9,953
 Component Unit:			
Leon Valley Economic Development Corporation	\$ (69,561)	\$ -	\$ -
 General revenues:			
Property taxes			
Sales taxes			
Franchise fees			
Impact fees			
Interest			
Miscellaneous			
Total general revenues			
Transfers			
Change in net assets			
 Net assets at the beginning of the year			
Net assets at the end of the year			

The accompanying notes are an integral part of this statement.

<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
\$ -	\$ (609,615)	\$ -	\$ (609,615)	
41,580	(2,892,233)	-	(2,892,233)	
-	(1,624,573)	-	(1,624,573)	
6,036	(123,696)	-	(123,696)	
-	(265,533)	-	(265,533)	
171,174	(396,139)	-	(396,139)	
-	(122,184)	-	(122,184)	
<u>218,790</u>	<u>(6,033,973)</u>	<u>-</u>	<u>(6,033,973)</u>	
-	-	209,157	209,157	
-	-	<u>209,157</u>	<u>209,157</u>	
<u>\$ 218,790</u>	<u>(6,033,973)</u>	<u>209,157</u>	<u>(5,824,816)</u>	
<u>\$ -</u>				\$ (69,561)
	3,552,821	-	3,552,821	-
	2,207,901	-	2,207,901	210,871
	677,001	-	677,001	-
	-	239,490	239,490	-
	8,546	4,444	12,990	109
	11,025	44,575	55,600	-
	<u>6,457,294</u>	<u>288,509</u>	<u>6,745,803</u>	<u>210,980</u>
	54,000	(54,000)	-	-
	<u>477,321</u>	<u>443,666</u>	<u>920,987</u>	<u>141,419</u>
	10,048,917	5,940,595	15,989,512	87,473
<u>\$ 10,526,238</u>	<u>\$ 6,384,261</u>	<u>\$ 16,910,499</u>	<u>\$ 228,892</u>	

City of Leon Valley, Texas
Balance Sheet
Governmental Funds
September 30, 2010

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,130,881	\$ 1,348,308	\$ 4,479,189
Accounts receivable-net of allowance for uncollectible:			
Property taxes	135,781	20,097	155,878
EMS charges	-	-	-
Special assessment	-	11,744	11,744
Other	29,685	78,060	107,745
Due from other governments	315,402	190,048	505,450
Prepaid items	1,525	-	1,525
Inventories	12,631	-	12,631
Total assets	<u>\$ 3,625,905</u>	<u>\$ 1,648,257</u>	<u>\$ 5,274,162</u>
LIABILITIES			
Accounts payable	\$ 77,184	\$ 154,053	\$ 231,237
Accrued expenses	213,066	5,794	218,860
Deposits payable	1,415	18,285	19,700
Deferred/unearned revenue	135,209	31,841	167,050
Total liabilities	<u>426,874</u>	<u>209,973</u>	<u>636,847</u>
FUND BALANCES			
Reserved for:			
Inventory	12,631	-	12,631
Parks	49,531	-	49,531
Library	55,013	-	55,013
Tree and land reserve	13,881	-	13,881
Prepaid	1,525	-	1,525
Debt service	-	165,926	165,926
Unreserved, reported in:			
General fund:			
Designated for capital projects	2,266,450	-	2,266,450
Unreserved, undesignated	800,000	-	800,000
Special revenue funds	-	1,272,358	1,272,358
Total fund balances	<u>3,199,031</u>	<u>1,438,284</u>	<u>4,637,315</u>
Total liabilities and fund balances	<u>\$ 3,625,905</u>	<u>\$ 1,648,257</u>	<u>\$ 5,274,162</u>

The accompanying notes are an integral part of this statement.

City of Leon Valley, Texas
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
September 30, 2010

Total fund balance-total governmental funds (page 16)	\$	4,637,315
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		9,583,549
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not deferred in the funds.		167,050
Bond issue costs which will be amortized in future years are not reported in the the funds.		66,346
Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds.		(510,702)
Long-term liabilities consisting of bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.		(3,370,000)
Accrued interest payable on bonded debt is not reported in the funds.		(47,320)

Total net assets of governmental activities (page 13)	\$	<u><u>10,526,238</u></u>
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The accompanying notes are an integral part of this statement.

City of Leon Valley, Texas
Statements of Revenues, Expenditures, and
Changes in Fund Balance
For the Year Ended September 30, 2010

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 3,084,129	\$ 421,599	\$ 3,505,728
Sales taxes	1,719,478	488,422	2,207,900
Licenses and fees	1,347,885	12,263	1,360,148
Fines and forfeitures	829,838	452,324	1,282,162
Grants	54,562	173,946	228,508
Rent	-	74,839	74,839
Interest	7,069	6,888	13,957
Total revenues	<u>7,042,961</u>	<u>1,630,281</u>	<u>8,673,242</u>
EXPENDITURES			
Current:			
Administration	901,248	18,316	919,564
Public safety	5,137,481	109,212	5,246,693
Public works	1,043,920	402,824	1,446,744
Parks and recreation	153,947	-	153,947
Library	266,327	-	266,327
Community development	500,810	128,561	629,371
Capital outlay	-	337,443	337,443
Debt service:			
Principal	-	265,000	265,000
Interest	-	149,513	149,513
Fiscal agent fees and bond issue costs	-	1,000	1,000
Total expenditures	<u>8,003,733</u>	<u>1,411,869</u>	<u>9,415,602</u>
Excess (deficiency) of revenues over (under) expenditures	(960,772)	218,412	(742,360)
OTHER FINANCING SOURCES (USES)			
Issuance of bonds	-	-	-
Premium on issuance of bonds	-	-	-
Bond refunding	-	-	-
Proceeds from sale of assets	-	-	-
Transfers in	54,000	18,000	72,000
Transfers out	(18,000)	-	(18,000)
Total other financing sources (uses)	<u>36,000</u>	<u>18,000</u>	<u>54,000</u>
Net change in fund balance	<u>(924,772)</u>	<u>236,412</u>	<u>(688,360)</u>
 Total fund balance-beginning of year	 4,123,803	 1,201,872	 5,325,675
Total fund balance-end of year	\$ <u>3,199,031</u>	\$ <u>1,438,284</u>	\$ <u>4,637,315</u>

The accompanying notes are an integral part of this statement.

City of Leon Valley, Texas
Reconciliation of the Statements of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to
the Statement of Activities
For the Year Ended September 30, 2010

Net change in fund balances-governmental funds (page 18)	\$ (688,360)
Amounts reported in governmental activities and in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are capitalized.	1,433,644
Capital assets are not recorded in government funds and are not therefore depreciated. However, in the Statement of Activities these assets are depreciated over their estimated useful lives. This is the amount of 2010 depreciation.	(573,065)
Revenues that are deferred in governmental activities because they do not provide current financial resources are not deferred in the Statement of Activities. This is the change in deferred from the prior year.	47,094
Bond issue costs are expended in the governmental activities, but are capitalized and amortized over the life of the bond in the Statement of Activities. This is the amortization for 2010	(4,361)
The repayment of principal on debt consumes current financial resources and is expended in the governmental funds, but is a reduction of the liability and does not affect the Statement of Activities.	265,000
Amounts to be expended for long-term employee leave is not recorded as an expenditure in the funds, but is an expense in the Statement of Activities. This is the change in compensated absences in 2010.	(35,321)
Accrued interest payable for bond issues is not reported in the funds, but is an expenditure in the Statement of Activities. This is the change from 2009.	32,690
Change in net assets of governmental activities (page 15)	\$ <u>477,321</u>

The accompanying notes are an integral part of this statement.

City of Leon Valley, Texas
Statement of Net Assets-Proprietary Fund
September 30, 2010

	<u>Business Type Activity Water & Wastewater</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,454,111
Accounts receivable-net of allowance for uncollectible	<u>312,646</u>
Total current assets	<u>2,766,757</u>
Non-current assets:	
Restricted cash and cash equivalents for customer deposits	117,069
Capital assets:	
Land	76,348
Water rights	710,157
Buildings	7,926
Water and wastewater system-plant	2,927,352
Equipment	<u>175,522</u>
Net capital assets	<u>3,897,305</u>
Total non-current assets	<u>4,014,374</u>
Total assets	<u>\$ 6,781,131</u>
LIABILITIES	
Accounts payable	\$ 211,215
Accrued expenses	14,162
Current portion of accrued leave	<u>5,400</u>
Total current liabilities	<u>230,777</u>
Non-current liabilities:	
Accrued leave	49,024
Payable from restricted assets:	
Customer deposits payable	<u>117,069</u>
Total non-current liabilities	<u>166,093</u>
Total liabilities	<u>396,870</u>
NET ASSETS	
Invested in capital assets	3,897,305
Restricted net assets:	
Water supply fee reserve	339,733
Storm water fee reserve	179,810
Unrestricted net assets:	
Appropriated for capital outlay	1,617,413
Unrestricted unappropriated net assets	<u>350,000</u>
Total net assets	<u>6,384,261</u>
Total liabilities and net assets	<u>\$ 6,781,131</u>

The accompanying notes are an integral part of this statement.

City of Leon Valley, Texas
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended September 30, 2010

	Business Type Activity <u>Water & Wastewater</u>
OPERATING REVENUES	
Metered water sales	\$ 741,696
Wastewater sales charges	1,543,908
Storm water fees	313,992
Connection and platting	173,626
Customer penalties	36,459
Customer disconnect fees	6,330
Tap fees	24,690
Total revenues	<u>2,840,701</u>
OPERATING EXPENSES	
General and administrative	492,804
Water system	679,582
Wastewater system	1,016,153
Repairs and maintenance	280,179
Depreciation	162,826
Total expenses	<u>2,631,544</u>
Operating income	209,157
NON-OPERATING REVENUES (EXPENSES)	
Interest income	4,444
Miscellaneous income	44,575
Impact fees	239,490
Non-operating transfer out	(54,000)
Total non-operating revenues (expenses)	<u>234,509</u>
Net change in net assets	443,666
 Total net assets-beginning of year	 <u>5,940,595</u>
Total net assets-end of year	\$ <u>6,384,261</u>

The accompanying notes are an integral part of this statement.

City of Leon Valley, Texas
Statement of Cash Flows
For the Year Ended September 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Payments received from customers	\$ 2,776,928
Payments to suppliers for goods and services	(1,795,021)
Payments for salaries and benefits	<u>(739,359)</u>
Net cash provided by operating activities	242,548

NON-OPERATING TRANSFER TO GENERAL FUND

(54,000)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(425,102)
Customer deposits repaid	(8,961)
Impact and service fees	<u>284,065</u>
Net cash provided (used) by capital and related financing activities	(149,998)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>4,444</u>
Net cash provided (used) by investing activities	4,444

Net increase (decrease) in cash and cash equivalents

42,994

Cash and cash equivalents at beginning of period:

Cash and cash equivalents	2,402,156
Restricted cash and cash equivalents	126,030
Cash and cash equivalents at beginning of period	<u>\$ 2,528,186</u>

Cash and cash equivalents at end of period:

Cash and cash equivalents	2,454,111
Restricted cash and cash equivalents	117,069
Cash and cash equivalents at end of period	<u><u>\$ 2,571,180</u></u>

City of Leon Valley, Texas
Statement of Cash Flows (continued)
For the Year Ended September 30, 2010

**RECONCILIATION OF UTILITY OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 209,157
Depreciation	162,826
(Increase) decrease in assets:	
Accounts receivable	(63,773)
Prepaid expense	3,706
Increase (decrease) in liabilities:	
Accounts payable	(70,392)
Accrued expenses	1,024
Net cash provided (used) by operating activities	<u>\$ 242,548</u>

The accompanying notes are an integral part of this statement.

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CITY OF LEON VALLEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Leon Valley, Texas ("City"), was incorporated in 1952. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: police and fire protection, maintenance of streets, planning and zoning, parks and recreation, general administrative services, water, and sewer services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Proprietary type funds apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below:

1. REPORTING ENTITY

In evaluating how to define the government, for financial purposes, management has considered all potential component units and associated component units. The decision to include a potential component unit or associated component unit in the reporting entity was made by applying the criteria set forth in GASB statement 14, "The Financial Reporting Entity" and GASB Statement 39 "Determining Whether Certain Organizations are Component Units". The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the criteria of GASB Nos. 14 and 39, the Leon Valley Community Development Corporation (LVEDC) is considered to be a discretely presented component unit. The LVEDC is financially accountable to the City because City Council approves the LVEDC budget and must approve any debt issuance. The component unit's board is appointed by City Council and its activities benefit the City by promoting growth and development opportunities.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the statement of net assets and statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. The value of interfund services provided and used are not eliminated in the government-wide financial statements, as elimination of those charges would distort the direct costs reported for the various functions. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed whole or in part by fees charged to external parties for goods and services. The City has no fiduciary funds.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

CITY OF LEON VALLEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

Separate fund financial statements are provided for governmental funds and proprietary funds. The General Fund is the only City fund that meets the criteria as a major governmental fund. The combined amounts for all nonmajor funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for nonmajor funds are presented within Combining and Individual Fund Statements and Schedules.

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary and fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash revenue types, which have been accrued, revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as program revenues and general revenues. Program revenues include 1) charges to customers or applicants for good, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs and investment earnings.

Governmental fund level financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Property taxes which are levied prior to September 30, 2009, and became due October 1, 2009 have been assessed to finance the budget of the fiscal year beginning October 1, 2009 and, accordingly, have been reflected as deferred revenue and taxes receivable in the fund financial statement at September 30, 2010.

Sales taxes, franchise taxes, hotel/motel taxes, and fees associated with the current fiscal year are considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items received by the government are considered to be measurable and available only when the cash is received by the City.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental fund:

The General Fund is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public service and capital acquisition.

CITY OF LEON VALLEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

Nonmajor funds include Special Revenue Funds, Capital Projects Fund, and Debt Services Fund.

Proprietary fund level financial statements are used to account for activities, which are similar to those found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's Proprietary Fund is the Water/Wastewater Fund (used to account for the provisions of water and sewer services to residents.)

The Proprietary Fund is accounted for using the accrual basis of accounting as follows:

- Revenues are recognized when earned, and expenses are recognized when liabilities are incurred.
- Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

4. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Enterprise Fund (Water and Wastewater Fund) considers all highly liquid investments including cash in banks, cash on hand, money market accounts, deposits in local government investment pools, and restricted cash and temporary investments to be cash equivalents.

5. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) – (d). Statutes allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

Investments are stated at fair value (plus accrued interest) except for money market investments and participating interest-earning investment contracts (U.S. Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost. Likewise, certificates of deposit are stated at amortized cost (see Note B).

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2009 and past due after January 31, 2010. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectible of \$28,938.

CITY OF LEON VALLEY, TEXAS
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Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectibles.

7. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

8. INVENTORIES

The City accounts for inventories using the consumption method. Inventories consist primarily of supplies and are valued at cost determined by the average cost method.

9. BUDGET

An operating budget is adopted each fiscal year for all City governmental funds. The budget is adopted on the GAAP basis of accounting.

10. RESTRICTED ASSETS

Certain Enterprise Fund revenues are collected for a specific purpose by State law and City ordinances such as impact fees for infrastructure improvements and the purchase of future water rights. These funds are classified as restricted assets on the statement of net assets and balance sheet because their use is limited by law.

Also, considered as restricted assets are deposits of water/sewer customers and performance bond deposits pending refund to the customer.

11. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Infrastructure assets include City-owned streets, sidewalks, curbs and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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<u>Capital Asset</u>	<u>Useful Life</u>
Buildings	50 years
Transportation and equipment	3-30 years
Infrastructure	50 years
Improvements other than buildings	50 years

12. COMPENSATED ABSENCES

Vested or accumulated vacation leave and compensatory time that is expected to be liquidated with expendable available resources is reported as an expenditure and fund liability of the governmental fund that will pay for it. Amounts of vested or accumulated vacation leave and compensatory time that are not expected to be liquidated with expendable available financial resources are reported in the government wide statements. Vested or accumulated vacation leave and compensatory time of the Enterprise Fund is recorded as an expense and liability of that fund as the benefits accrue to employees. Accumulated vacation pay and compensatory time at September 30, 2010, of \$54,424 and \$510,702 has been recorded in accrued liabilities of the Enterprise Fund and government-wide statements, respectively. Compensated absences are reported in the governmental funds only if they have matured (i.e., unused reimbursable leave outstanding following an employee's resignation or retirement). The General Fund is the governmental fund that has typically been used in prior years to liquidate the liability for compensated absences.

13. DEFERRED/UNEARNED REVENUE

Property tax revenues and emergency medical services are recognized when they became both measurable and available in fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue and emergency medical service revenues not expected to be available for the current period are reflected as deferred revenue.

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues received in advance of expense/expenditures are reflected as unearned revenue.

14. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net assets. On new bond issues, bond premium and discounts, as well as issuance costs, are deferred and amortized over the life of the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF LEON VALLEY, TEXAS
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15. FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties of use for a specific purpose. Fund reservations include special revenues, capital projects, debt service, prepaid items and inventories.

16. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The City has elected to appropriate net assets of its business type activity. Such appropriations reflect the intended use of the net assets.

17. INTERFUND TRANSACTIONS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

18. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the City, those revenues are charges for electric, water, and sewer services. Operating expenses are necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

19. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B—CASH AND CASH EQUIVALENTS

The City's funds are required to be deposited and invested under the terms of the depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

CITY OF LEON VALLEY, TEXAS
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1. CASH

At September 30, 2010, the carrying amount of the primary government's (the City) cash on hand was \$1,500, deposits in the bank were \$960,196 and the book balance was \$832,904. The City's cash was fully collateralized. The component unit's bank deposits were \$193,595 and the book balance was \$190,538. This balance was fully collateralized.

2. INVESTMENTS

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date of the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposits.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investments pools, 9) guaranteed investment contracts, and 10) commercial paper.

The City's cash, and cash equivalents at September 30, 2010 are as shown below:

		Reported and Fair Value	Weighted Average Maturity	Rating	
				Moody's	S&P
TexPool	\$	4,715,965	n/a	Aaa	AAAm
Certificates of deposit		1,500,000	40 days	n/a	n/a
Cash on hand		1,500	n/a	n/a	n/a
Bank deposits		<u>832,904</u>	n/a	n/a	n/a
Total cash, cash equivalents, and investments		7,050,369			
Unrestricted		6,933,300			
Restricted	\$	<u><u>117,069</u></u>			

CITY OF LEON VALLEY, TEXAS
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3. ANALYSIS OF SPECIFIC DEPOSIT AND INVESTMENT RISKS

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. City investment policy follows state guidelines. The City policy allows investments in certificates of deposit with banks in Texas, investments in U.S. Treasuries and Agencies, and investment pools that invest in obligations of the United States or its agencies and instrumentalities to name a few.

At September 30, 2010, the City's investments were in Certificates of Deposit and TexPool, a public funds investment pool where all securities held maintain a continuous rating of no lower than Aaa or AAAM or an equivalent rating by at least one nationally recognized rating service.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year-end and per City policy all funds were in the City's name and collateralized with securities that maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service. The City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. All City funds are in the external investment pool as allowed by the City's investment policy, and the investment pool invests in hundreds of authorized securities that minimizes concentrations of credit risk. At year-end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair market value of an investment. At year-end, the City was not exposed to interest rate risk due to investment in an external investment pool as authorized by the City's investment policy.

CITY OF LEON VALLEY, TEXAS
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e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. The City's policy does not allow investment in foreign currency. At year end the City was not exposed to foreign currency risk.

4. INVESTMENT POLICY

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

5. PUBLIC FUNDS INVESTMENT POOLS

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, as are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

NOTE C—RECEIVABLES

1. SPECIAL ASSESSMENTS

The City levied special assessments in 1986 against various property owners benefiting from public improvements completed in 1987. In accordance with the provisions of the assessment certificates issued for the property owners, assessments are due and payable at the time of completion. All assessments receivable as of September 30, 2010, are considered delinquent. These public improvements were funded through a note payable at the City's depository bank. Collections from assessment accounts were insufficient to cover the required note payments and therefore, the City's General Fund paid the note in full through a transfer. Accordingly, current and future principal and interest collections on these delinquent accounts will be used to reimburse the City's General Fund. The related assessments receivable, revenues, deferred revenue, and debt payments are reported in the Debt Service Fund.

CITY OF LEON VALLEY, TEXAS
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2. OTHER RECEIVABLES

Other receivables consist of the following:

	Amount	Allowance for Doubtful	Net Receivable
Property taxes	\$ 184,816	\$ (28,938)	\$ 155,878
EMS receivables	\$ 334,301	\$ (334,301)	-
Special assessment	\$ 11,744	-	\$ 11,744
Accounts	\$ 107,745	-	\$ 107,745
Utility	\$ 317,221	\$ (4,575)	\$ 312,646

NOTE D—PROPERTY TAX CALENDAR

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Bexar County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2009, upon which the fiscal 2010 levy was based, was \$692,616,036 (market value less exemptions).

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2010 was \$.5274 per \$100 of assessed value, which means that the City has a tax margin of \$1.9726 for each \$100 value. The City may not, however, adopt a tax rate that exceeds the rollback rate or the effective rate, whichever is lower, without first having two public hearings. If the City adopts a tax rate that exceeds the rollback tax rate, registered voters may petition the City for an election on the tax increase. A successful election limits the City's current tax rate to the rollback rate.

Property taxes are recorded as receivables and deferred revenues at the time the taxes are assessed. In governmental funds, revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in the time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue. In the government-wide financial statements, the entire levy is recognized as revenue, net of estimated uncollectible amounts (if any), at the levy date.

CITY OF LEON VALLEY, TEXAS
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NOTE E—INTERFUND TRANSACTIONS

Transfers consisted of the following:

General fund				Purpose
Transfer to non-major fund:				
Child safety fund	\$	18,000		Program supplement
Water & Wastewater Fund				
Transfer to General Fund	\$	54,000		Program supplement

NOTE F—CAPITAL ASSETS

Governmental capital asset activity for the year ended September 30, 2010, was as follows:

	Balance 10-1-09	Reclass and Additions	Reclass and Disposals	Balance 9-30-10
Assets not being depreciated:				
Land	\$ 631,161	\$ 33,494	\$ -	\$ 664,655
Construction in progress	-	18,805	-	18,805
Assets being depreciated:				
Buildings	2,691,662	224,073	-	2,915,735
Transportation and equipment	4,163,722	1,157,272	(215,420)	5,105,574
Infrastructure	11,013,733	-	-	11,013,733
	<u>18,500,278</u>	<u>1,433,644</u>	<u>(215,420)</u>	<u>19,718,502</u>
Less accumulated depreciation:				
Buildings	(1,251,717)	(58,641)	-	(1,310,358)
Transportation and equipment	-	-	-	-
	(2,495,992)	(374,602)	215,420	(2,655,174)
Infrastructure	(6,029,599)	(139,822)	-	(6,169,421)
	<u>(9,777,308)</u>	<u>(573,065)</u>	<u>215,420</u>	<u>(10,134,953)</u>
Assets being depreciated, net	<u>8,091,810</u>	<u>808,280</u>	<u>-</u>	<u>8,900,090</u>
Total capital assets, net	\$ <u>8,722,970</u>	\$ <u>860,579</u>	\$ <u>-</u>	\$ <u>9,583,549</u>

Depreciation Expense was charged to the governmental functions as follows:

Administration	\$ 44,318
Public safety	285,361
Public works	175,785
Parks and recreation	27,645
Community development	31,582
Library	8,374
	<u>\$ 573,065</u>

CITY OF LEON VALLEY, TEXAS
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Business-type capital asset activity for the year ended September 30, 2010, was as follows:

	Balance 10-1-09	Additions	Disposals	Balance 9-30-10
Assets not being depreciated:				
Land	\$ 76,348	\$ -	\$ -	\$ 76,348
Water rights	413,157	297,000		710,157
Assets being depreciated:				
Buildings	25,403	-	-	25,403
Improvements other than buildings	6,621,030	23,853	-	6,644,883
Transportation and equipment	476,404	104,249	-	580,653
	<u>7,612,342</u>	<u>425,102</u>	<u>-</u>	<u>8,037,444</u>
Less accumulated depreciation:				
Buildings	(17,067)	(410)	-	(17,477)
Improvements other than buildings	(3,572,769)	(144,762)	-	(3,717,531)
Transportation and equipment	-			-
	<u>(387,477)</u>	<u>(17,654)</u>	<u>-</u>	<u>(405,131)</u>
	<u>(3,977,313)</u>	<u>(162,826)</u>	<u>-</u>	<u>(4,140,139)</u>
Assets being depreciated, net	<u>3,145,524</u>	<u>(34,724)</u>	<u>-</u>	<u>3,110,800</u>
Total capital assets, net	\$ <u>3,635,029</u>	\$ <u>262,276</u>	\$ <u>-</u>	\$ <u>3,897,305</u>

CITY OF LEON VALLEY, TEXAS
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NOTE G—LONG-TERM DEBT

Long-term debt and obligations payable at September 30, 2010 were comprised of the following individual issues:

Governmental activities:

	Balance 10-1-09	Additions	Payments	Balance 9-30-10	Due Within One Year
General Obligation Refunding Bonds					
Original amount of \$2,575,000					
interest rate 3.12%	\$ 2,575,000	\$ -	\$ (235,000)	\$ 2,340,000	\$ 260,000
Public Property Finance Contracts					
Original amount of \$1,060,000					
interest rate 4.42%	1,060,000	-	(30,000)	1,030,000	40,000
Subtotal	3,635,000	-	(265,000)	3,370,000	300,000
Compensated absences	475,381	192,721	(157,400)	510,702	169,000
	<u>\$ 4,110,381</u>	<u>\$ 192,721</u>	<u>\$ (422,400)</u>	<u>\$ 3,880,702</u>	<u>\$ 469,000</u>

Business-type activities:

	Balance 10-1-09	Additions	Disposals	Balance 9-30-10	Due Within One Year
Compensated absences	\$ 47,905	\$ 11,474	\$ (4,955)	\$ 54,424	\$ 5,400
	<u>\$ 47,905</u>	<u>\$ 11,474</u>	<u>\$ (4,955)</u>	<u>\$ 54,424</u>	<u>\$ 5,400</u>

In the past, the General Fund and the Water & Wastewater fund were used to liquidate compensated absences.

The annual requirements to amortize all long-term debt and obligations outstanding as of September 30, 2010, including interest payments, are as follows:

Year ended September 30,	As to Principal	As to Interest	Total
2011	\$ 300,000	\$ 112,278	\$ 412,278
2012	310,000	103,328	413,328
2013	320,000	94,027	414,027
2014	330,000	84,327	414,327
2015	340,000	74,278	414,278
2016-2020	1,185,000	209,980	1,394,980
2021-2025	295,000	102,509	397,509
2026-2029	290,000	28,738	318,738
	<u>\$ 3,370,000</u>	<u>\$ 809,464</u>	<u>\$ 4,179,464</u>

CITY OF LEON VALLEY, TEXAS
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In 2009 the Series 1998 Certificates of Obligation were advance refunded. The debt is considered to be extinguished as deposits were made to an agent escrow account to fund future debt service. The balance outstanding of these refunded Certificates at September 30, 2010 was \$2,350,000

NOTE H—EMPLOYEES' RETIREMENT SYSTEM

Plan Description- The City provides pension benefits for all of its eligible employees through a non-traditional, joint-contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System ("TMRS"), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the system. This report may be obtained by writing to TMRS, P. O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan years 2009 and 2010</u>
Employee deposit rate	6.00%
Matching ratio (City to employee)	2 to 1
Years required for vesting	10
Service requirement eligibility (expressed as age/years of service)	60/10, 0/20
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating

Contributions- Under the state law governing TMRS, the contribution rate for each entity is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (over-funded) actuarial liability (asset) over the applicable period for that entity. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

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The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The funding status and the annual pension cost and net pension obligation (asset) are as follows:

Year	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability	(C) (A)/(B) Funding Ratio	(D) Unfunded Actuarial Accrued Liability (UAAL)	(E) Annual Covered payroll	(D)/(E) UAAL as a Percent of Covered Payroll
2007	\$ 14,407,690	\$ 20,440,125	70.49%	\$ 6,032,435	\$ 3,978,024	151.64%
2008	\$ 14,208,942	\$ 20,681,163	68.70%	\$ 6,472,221	\$ 4,314,054	150.03%
2009	\$ 15,296,196	\$ 21,939,944	69.72%	\$ 6,643,748	\$ 4,366,614	152.15%

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information of the latest actuarial valuation at December 31, 2009 also follows:

	<u>December 31, 2009</u>	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Actuarial Valuation Date	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Actuarial Cost Method	Level Percent	Level Percent	Level Percent
Amortization Method	of Payroll	of Payroll	of Payroll
Amortization Period	28 Years-Closed	29 Years-Closed	30 Years-Closed
Asset Valuation Method	10-year Smoothed Market	Amortized Cost	Amortized Cost
Actuarial Assumptions			
Investment Return	7.50%	7.50%	7.00%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Inflation	3.00%	3.00%	3.00%
Cost of Living Adjustments	2.10%	2.10%	2.1% (3.0% CPI)

Supplemental Death Benefits Fund- the City also participates in the cost sharing multi-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits- The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post employment benefit" or OPEB.

CITY OF LEON VALLEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

Contributions- The City contributes to the SDBF at a contractually required contribution rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions for 2010, 2009, and 2008 were \$12,052, \$12,289 and \$11,106 respectively and equaled the required contributions for those years. A schedule of contribution rates follows:

Plan Year	Annual Required Contribution Rate	Actual Contribution Made	Percentage of ARC Contributed
2010	0.03%	0.03%	100.00%
2009	0.05%	0.05%	100.00%
2008	0.04%	0.04%	100.00%

NOTE I—CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE J—RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contribution amounts. During the past three years, no settlements have exceeded insurance coverage.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes disclosures required by the GASB but are not considered a part of the basic financial statements.

The budgetary comparison schedule of the General fund is presented as required supplementary information.

The schedule of funding progress for the Texas Municipal Retirement System is presented as required supplementary information.

City of Leon Valley, Texas
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance-
Budget (GAAP Basis) and Actual
For the Year Ended September 30, 2010
With Comparative Totals for 2009

	Budget Amounts		2010	Variance With	2009
	Original	Final	Actual	Final Budget	Actual Amounts
REVENUES					
Property taxes	\$ 3,037,298	\$ 3,037,298	\$ 3,084,129	\$ 46,831	\$ 3,103,268
Sales taxes	1,535,370	1,535,370	1,719,478	184,108	1,590,223
Licenses and fees	1,252,418	1,252,418	1,347,885	95,467	1,383,964
Fines and forfeitures	886,930	886,930	829,838	(57,092)	852,800
Grants	18,000	18,000	54,562	36,562	94,735
Interest	36,000	36,000	7,069	(28,931)	31,506
Total revenues	6,766,016	6,766,016	7,042,961	276,945	7,056,496
EXPENDITURES					
Current:					
Administration					
Business office					
Personnel services	82,865	82,865	80,392	2,473	81,001
Supplies	15,500	15,500	11,704	3,796	10,721
Contracted services	97,090	97,090	90,557	6,533	96,483
Total business office	195,455	195,455	182,653	12,802	188,205
Finance and accounting					
Personnel services	142,378	142,378	140,679	1,699	138,270
Supplies	10,400	10,400	6,344	4,056	7,660
Contracted services	70,521	70,521	62,118	8,403	52,393
Total finance and accounting	223,299	223,299	209,141	14,158	198,323
Council and manager					
Personnel services	196,549	197,925	200,831	(2,906)	188,935
Supplies	17,645	17,645	11,699	5,946	10,949
Contracted services	321,540	449,975	270,849	179,126	113,700
Capital outlay	-	16,500	26,075	(9,575)	357
Total council and manager	535,734	682,045	509,454	172,591	313,941
Total administration	954,488	1,100,799	901,248	199,551	700,469
Public safety					
Law enforcement administration					
Personnel services	206,973	206,973	206,376	597	204,066
Supplies	1,940	1,940	1,368	572	1,531
Contracted services	30,363	30,363	28,910	1,453	29,856
Total law enforcement administration	239,276	239,276	236,654	2,622	235,453
Law enforcement crime prevention					
Personnel services	-	-	-	-	63,640
Supplies	-	-	-	-	271
Contracted services	-	-	-	-	983
Total law enforcement crime prevention	-	-	-	-	64,894
Law enforcement patrol					
Personnel services	1,150,684	1,150,684	1,123,006	27,678	1,106,849
Supplies	64,922	64,922	61,198	3,724	53,848
Contracted services	12,300	12,300	2,833	9,467	9,022
Capital outlay	-	20,986	20,986	-	-
Total law enforcement patrol	1,227,906	1,248,892	1,208,023	40,869	1,169,719

City of Leon Valley, Texas
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance-
Budget (GAAP Basis) and Actual
For the Year Ended September 30, 2010
With Comparative Totals for 2009

	Budget Amounts		2010	Variance With	2009
	Original	Final	Actual	Final Budget	Actual
Law enforcement communications					
Personnel services	265,510	265,510	252,706	12,804	247,496
Supplies	1,025	1,025	1,114	(89)	263
Contracted services	13,173	13,173	10,658	2,515	11,460
Total law enforcement communications	279,708	279,708	264,478	15,230	259,219
Law enforcement investigations					
Personnel services	269,088	269,088	267,274	1,814	205,147
Supplies	2,140	2,140	1,926	214	961
Contracted services	5,184	5,184	2,987	2,197	3,028
Total law enforcement investigations	276,412	276,412	272,187	4,225	209,136
Law enforcement narcotics					
Personnel services	65,856	65,856	65,432	424	65,430
Contracted services	136	136	112	24	107
Total law enforcement narcotics	65,992	65,992	65,544	448	65,537
Fire protection administration					
Personnel services	206,648	206,648	203,306	3,342	200,383
Supplies	4,940	4,940	3,940	1,000	3,444
Contracted services	34,763	34,763	35,589	(826)	44,015
Total fire protection administration	246,351	246,351	242,835	3,516	247,842
Fire protection operations					
Personnel services	1,584,580	1,591,580	1,585,314	6,266	1,556,853
Supplies	33,738	33,738	27,795	5,943	37,364
Contracted services	48,806	54,737	57,752	(3,015)	54,963
Capital outlay	12,000	1,037,937	1,035,760	2,177	37,652
Total fire protection operations	1,679,124	2,717,992	2,706,621	11,371	1,686,832
Emergency medical services					
Supplies	34,447	40,483	40,775	(292)	53,162
Contracted services	64,049	70,317	69,362	955	65,725
Capital outlay	30,000	30,000	31,002	(1,002)	-
Total emergency medical services	128,496	140,800	141,139	(339)	118,887
Total public safety	4,143,265	5,215,423	5,137,481	77,942	4,057,519
Public works					
Public works					
Personnel services	773,427	773,427	718,514	54,913	723,398
Supplies	164,800	164,800	142,772	22,028	151,859
Contracted services	166,550	191,550	168,936	22,614	198,718
Capital outlay	28,000	50,495	13,698	36,797	18,970
Total public works	1,132,777	1,180,272	1,043,920	136,352	1,092,945

City of Leon Valley, Texas
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance-
Budget (GAAP Basis) and Actual
For the Year Ended September 30, 2010
With Comparative Totals for 2009

	Budget Amounts		2010	Variance With	2009
	Original	Final	Actual	Final Budget	Actual
Parks and recreation					
Personnel services	61,776	61,776	59,006	2,770	60,041
Supplies	26,000	26,000	10,909	15,091	13,315
Contracted services	19,490	59,490	12,688	46,802	17,279
Capital outlay	-	83,544	71,344	12,200	20,979
Total parks and recreation	107,266	230,810	153,947	76,863	111,614
Library					
Personnel services	182,555	182,555	178,557	3,998	175,858
Supplies	14,111	21,057	18,780	2,277	17,793
Contracted services	39,081	39,081	38,583	498	43,311
Capital outlay	20,000	30,000	30,407	(407)	20,005
Total library	255,747	272,693	266,327	6,366	256,967
Development activities					
Community development/events					
Personnel services	188,131	188,131	188,437	(306)	181,175
Supplies	39,200	40,700	34,349	6,351	55,724
Contracted services	140,200	171,700	171,964	(264)	154,388
Total community development/events	367,531	400,531	394,750	5,781	391,287
Economic development					
Personnel services	77,081	94,274	94,166	108	74,393
Supplies	3,880	3,880	2,706	1,174	1,391
Contracted services	13,823	13,823	9,188	4,635	21,109
Total economic development	94,784	111,977	106,060	5,917	96,893
Total development activities	462,315	512,508	500,810	11,698	488,180
Debt Service					
Principal	-	-	-	-	91,944
Fiscal agent fees and bond issue costs	-	-	-	-	60,064
Total debt service	-	-	-	-	152,008
Total expenditures	7,055,858	8,512,505	8,003,733	508,772	6,859,702
Excess (deficiency) of revenues over (under) expenditures	(289,842)	(1,746,489)	(960,772)	785,717	196,794
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	-	-	-	1,060,000
Transfers in	-	-	54,000	54,000	-
Transfers out	(18,000)	(18,000)	(18,000)	-	(10,000)
Total other financing sources (uses)	(18,000)	(18,000)	36,000	(54,000)	1,050,000
Net change in fund balance	(307,842)	(1,764,489)	(924,772)	839,717	1,246,794
Total fund balance-beginning of year	4,123,803	4,123,803	4,123,803	-	2,877,009
Total fund balance-end of year	\$ 3,815,961	\$ 2,359,314	\$ 3,199,031	\$ 839,717	\$ 4,123,803

City of Leon Valley, Texas
Required Supplementary Information
Schedule of Funding Progress for the Year Ended September 30, 2010

Texas Municipal Retirement System

Year	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability	(C) (A)/(B) Funding Ratio	(D) Unfunded Actuarial Accrued Liability (UAAL)	(E) Annual Covered payroll	(D)/(E) UAAL as a Percent of Covered Payroll
2007	\$ 14,407,690	\$ 20,440,125	70.49%	\$ 6,032,435	\$ 3,978,024	151.64%
2008	\$ 14,208,942	\$ 20,681,163	68.70%	\$ 6,472,221	\$ 4,314,054	150.03%
2009	\$ 15,296,196	\$ 21,939,944	69.72%	\$ 6,643,748	\$ 4,366,614	152.15%

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OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes the combining nonmajor individual fund statements which are not required by the GASB, nor a part of the basic financial statements.

FUND DESCRIPTIONS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues and expenditures that are legally restricted for a specific purpose.

Community Center

Accounts for hotel Occupancy Tax revenues and expenditures, funding mainly the Community and Conference Centers.

Grants Fund

Accounts for grant revenues received from other governments and the related expenditures.

Child Safety Fund

Accounts for the drug awareness and prevention program, school crossing guards, and other child safety programs.

State Police Forfeiture Fund

Accounts for revenues from seized assets and the allowed expenditure of that revenue.

Federal Police Forfeiture Fund

Accounts for revenues from seized assets in Federal cases and the allowed expenditure of that revenue

Building Security Fund

Accounts for portion of municipal fines that are allocated to building security and the allowed expenditures.

Court Technology

Accounts for portion of municipal fines that are allocated to court technology and the allowed expenditures.

Street Maintenance Fund

Accounts for sales tax collections for street maintenance. This special tax was approved by voters on November 2007.

DEBT SERVICE FUNDS

These funds are used to account for the accumulation of resources and the related disbursement for the retirement of long-term debt.

**City of Leon Valley, Texas
Combining Balance Sheets
Nonmajor Governmental Funds
September 30, 2010**

	Community Center	Grants	Child Safety	State Police Forfeiture
ASSETS				
Cash and cash equivalents	\$ 71	\$ 7,804	\$ 20,641	\$ 13,267
Accounts receivable-net of allowance for uncollectible:				
Property taxes	-	-	-	-
Special assessment	-	-	-	-
Other	-	-	1,045	-
Due from other governments	190,048	-	-	-
Total assets	<u>\$ 190,119</u>	<u>\$ 7,804</u>	<u>\$ 21,686</u>	<u>\$ 13,267</u>
LIABILITIES				
Accounts payable	\$ 146,471	\$ -	\$ -	\$ -
Accrued expenses	5,794	-	-	-
Deposits payable	18,285	-	-	-
Deferred/unearned revenue	-	-	-	-
Total liabilities	<u>170,550</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Reserved for:				
Debt service	-	-	-	-
Unreserved, reported in:				
Special revenue funds	19,569	7,804	21,686	13,267
Total fund balances	<u>19,569</u>	<u>7,804</u>	<u>21,686</u>	<u>13,267</u>
Total liabilities and fund balances	<u>\$ 190,119</u>	<u>\$ 7,804</u>	<u>\$ 21,686</u>	<u>\$ 13,267</u>

The accompanying notes are an integral part of this statement.

Federal Police Forfeiture	Building Security	Court Technology	Street Maintenance Tax	Debt Service		Totals
				Debt Service	Lindwood	
\$ 575,575	\$ 3,325	\$ 62,528	\$ 499,467	\$ 165,630	\$ -	\$ 1,348,308
-	-	-	-	20,097	-	20,097
-	-	-	-	-	11,744	11,744
-	10	-	76,709	296	-	78,060
-	-	-	-	-	-	190,048
<u>\$ 575,575</u>	<u>\$ 3,335</u>	<u>\$ 62,528</u>	<u>\$ 576,176</u>	<u>\$ 186,023</u>	<u>\$ 11,744</u>	<u>\$ 1,648,257</u>
6,454	\$ -	\$ 252	\$ 876	\$ -	\$ -	\$ 154,053
-	-	-	-	-	-	5,794
-	-	-	-	-	-	18,285
-	-	-	-	20,097	11,744	31,841
<u>6,454</u>	<u>-</u>	<u>252</u>	<u>876</u>	<u>20,097</u>	<u>11,744</u>	<u>209,973</u>
-	-	-	-	165,926	-	165,926
569,121	3,335	62,276	575,300	-	-	1,272,358
<u>569,121</u>	<u>3,335</u>	<u>62,276</u>	<u>575,300</u>	<u>165,926</u>	<u>-</u>	<u>1,438,284</u>
<u>\$ 575,575</u>	<u>\$ 3,335</u>	<u>\$ 62,528</u>	<u>\$ 576,176</u>	<u>\$ 186,023</u>	<u>\$ 11,744</u>	<u>\$ 1,648,257</u>

City of Leon Valley, Texas
Statements of Revenues, Expenses, and
Combining Changes in Net Assets Nonmajor Governmental Funds
For the Year Ended September 30, 2010

	Community Center	Grants	Child Safety	State Police Forfeiture
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	66,701	-	-	-
Licenses and fees	-	-	12,263	-
Fines and forfeitures	-	-	-	9,333
Grants	171,174	2,772	-	-
Rent	74,839	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>312,714</u>	<u>2,772</u>	<u>12,263</u>	<u>9,333</u>
EXPENDITURES				
Current:				
Administration	-	-	-	-
Public safety	-	4,633	24,117	-
Public works	-	-	-	-
Community development	128,561	-	-	-
Capital outlay	242,878	-	-	-
Bond issue costs				
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Fiscal agent fees and bond issue costs	-	-	-	-
Total expenditures	<u>371,439</u>	<u>4,633</u>	<u>24,117</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(58,725)	(1,861)	(11,854)	9,333
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	-
Premium on issuance of bonds	-	-	-	-
Bond refunding	-	-	-	-
Transfers in	-	-	15,000	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>-</u>
Net change in fund balance	(58,725)	(1,861)	3,146	9,333
Total fund balance-beginning of year	78,294	9,665	18,540	3,934
Total fund balance-end of year	<u>\$ 19,569</u>	<u>\$ 7,804</u>	<u>\$ 21,686</u>	<u>\$ 13,267</u>

The accompanying notes are an integral part of this statement.

Federal Police Forfeiture	Building Security	Court Technology	Street Maintenance Tax	Debt Service		Totals
				Debt Service	Lindwood	
-	\$ -	\$ -	\$ -	\$ 421,599	\$ -	\$ 421,599
-	-	-	421,721	-	-	488,422
-	-	-	-	-	-	12,263
396,780	19,809	26,402	-	-	-	452,324
-	-	-	-	-	-	173,946
-	-	-	-	-	-	74,839
545	-	-	932	5,411	-	6,888
-	-	-	-	-	-	-
<u>397,325</u>	<u>19,809</u>	<u>26,402</u>	<u>422,653</u>	<u>427,010</u>	<u>-</u>	<u>1,630,281</u>
-	-	18,316	-	-	-	18,316
47,607	32,855	-	-	-	-	109,212
-	-	-	402,824	-	-	402,824
-	-	-	-	-	-	128,561
83,132	-	11,433	-	-	-	337,443
-	-	-	-	265,000	-	265,000
-	-	-	-	149,513	-	149,513
-	-	-	-	1,000	-	1,000
<u>130,739</u>	<u>32,855</u>	<u>29,749</u>	<u>402,824</u>	<u>415,513</u>	<u>-</u>	<u>1,411,869</u>
266,586	(13,046)	(3,347)	19,829	11,497	-	218,412
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	3,000	-	-	-	-	18,000
-	3,000	-	-	-	-	18,000
<u>266,586</u>	<u>(10,046)</u>	<u>(3,347)</u>	<u>19,829</u>	<u>11,497</u>	<u>-</u>	<u>236,412</u>
302,535	13,381	65,623	555,471	154,429	-	1,201,872
<u>569,121</u>	<u>\$ 3,335</u>	<u>\$ 62,276</u>	<u>\$ 575,300</u>	<u>\$ 165,926</u>	<u>\$ -</u>	<u>\$ 1,438,284</u>

City of Leon Valley, Texas
Community Center Fund
Schedule of Revenues, Expenses, and
Changes in Net Assets - Budget (GAAP Basis) and Actual
For the Year Ended September 30, 2010

	<u>Budget Amounts</u>		<u>2010</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Hotel/motel taxes	\$ 59,000	\$ 59,000	\$ 66,701	\$ 7,701
Rent	74,000	74,000	74,839	839
Grant	-	-	171,174	171,174
Total revenues	<u>133,000</u>	<u>133,000</u>	<u>312,714</u>	<u>179,714</u>
EXPENDITURES				
Current:				
Community development	128,987	128,987	128,561	426
Capital outlay	-	281,875	242,878	38,997
Total expenditures	<u>128,987</u>	<u>410,862</u>	<u>371,439</u>	<u>39,423</u>
Net change in fund balance	<u>4,013</u>	<u>(277,862)</u>	<u>(58,725)</u>	<u>219,137</u>
Total fund balance-beginning of year	78,294	78,294	78,294	-
Total fund balance-end of year	<u>\$ 82,307</u>	<u>\$ (199,568)</u>	<u>\$ 19,569</u>	<u>\$ 219,137</u>

City of Leon Valley, Texas
Grants Fund
Schedule of Revenues, Expenses, and
Changes in Net Assets - Budget (GAAP Basis) and Actual
For the Year Ended September 30, 2010

	Budget Amounts		2010	Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Grants	\$ 2,787	\$ 2,787	\$ 2,772	\$ (15)
Total revenues	<u>2,787</u>	<u>2,787</u>	<u>2,772</u>	<u>(15)</u>
EXPENDITURES				
Current:				
Public safety	<u>6,217</u>	<u>6,217</u>	<u>4,633</u>	<u>1,584</u>
Total expenditures	<u>6,217</u>	<u>6,217</u>	<u>4,633</u>	<u>1,584</u>
Net change in fund balance	<u>(3,430)</u>	<u>(3,430)</u>	<u>(1,861)</u>	<u>1,569</u>
Total fund balance-beginning of year	<u>9,665</u>	<u>9,665</u>	<u>9,665</u>	<u>-</u>
Total fund balance-end of year	<u><u>\$ 6,235</u></u>	<u><u>\$ 6,235</u></u>	<u><u>\$ 7,804</u></u>	<u><u>\$ 1,569</u></u>

City of Leon Valley, Texas
Child Safety Fund
Schedule of Revenues, Expenses, and
Changes in Net Assets - Budget (GAAP Basis) and Actual
For the Year Ended September 30, 2010

	<u>Budget Amounts</u>		<u>2010</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Licenses and fees	\$ 9,300	\$ 9,300	\$ 12,263	\$ 2,963
Total revenues	<u>9,300</u>	<u>9,300</u>	<u>12,263</u>	<u>2,963</u>
EXPENDITURES				
Current:				
Public safety	<u>33,067</u>	<u>33,067</u>	<u>24,117</u>	<u>8,950</u>
Total expenditures	<u>33,067</u>	<u>33,067</u>	<u>24,117</u>	<u>8,950</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>18,000</u>	<u>18,000</u>	<u>15,000</u>	<u>3,000</u>
Total other financing sources (uses)	<u>18,000</u>	<u>18,000</u>	<u>15,000</u>	<u>3,000</u>
Net change in fund balance	(5,767)	(5,767)	3,146	8,913
Total fund balance-beginning of year	<u>18,540</u>	<u>18,540</u>	<u>18,540</u>	<u>-</u>
Total fund balance-end of year	<u>\$ 12,773</u>	<u>\$ 12,773</u>	<u>\$ 21,686</u>	<u>\$ 8,913</u>

City of Leon Valley, Texas
State Police Forfeiture Fund
Schedule of Revenues, Expenses, and
Changes in Net Assets - Budget (GAAP Basis) and Actual
For the Year Ended September 30, 2010

	Budget Amounts		2010	Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ 9,333	\$ 9,333
Total revenues	<u>-</u>	<u>-</u>	<u>9,333</u>	<u>9,333</u>
EXPENDITURES				
Current:				
Public safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	9,333	9,333
Total fund balance-beginning of year	3,934	3,934	3,934	-
Total fund balance-end of year	<u>\$ 3,934</u>	<u>\$ 3,934</u>	<u>\$ 13,267</u>	<u>\$ 9,333</u>

City of Leon Valley, Texas
Federal Police Forfeiture Fund
Schedule of Revenues, Expenses, and
Changes in Net Assets - Budget (GAAP Basis) and Actual
For the Year Ended September 30, 2010

	<u>Budget Amounts</u>		<u>2010</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ 396,780	\$ 396,780
Interest			545	545
Total revenues	<u>-</u>	<u>-</u>	<u>397,325</u>	<u>397,325</u>
EXPENDITURES				
Current:				
Public safety	36,000	44,815	47,607	(2,792)
Capital outlay	84,000	84,000	83,132	868
Total expenditures	<u>120,000</u>	<u>128,815</u>	<u>130,739</u>	<u>(1,924)</u>
 Net change in fund balance	 (120,000)	 (128,815)	 266,586	 399,249
 Total fund balance-beginning of year	 302,535	 302,535	 302,535	 -
Total fund balance-end of year	<u><u>\$ 182,535</u></u>	<u><u>\$ 173,720</u></u>	<u><u>\$ 569,121</u></u>	<u><u>\$ 395,401</u></u>

City of Leon Valley, Texas
Building Security Fund
Schedule of Revenues, Expenses, and
Changes in Net Assets - Budget (GAAP Basis) and Actual
For the Year Ended September 30, 2010

	<u>Budget Amounts</u>		<u>2010</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Fines and forfeitures	\$ 21,500	\$ 21,500	\$ 19,809	\$ (1,691)
Total revenues	<u>21,500</u>	<u>21,500</u>	<u>19,809</u>	<u>(1,691)</u>
EXPENDITURES				
Current:				
Public safety	<u>33,992</u>	<u>33,992</u>	<u>32,855</u>	<u>1,137</u>
Total expenditures	<u>33,992</u>	<u>33,992</u>	<u>32,855</u>	<u>1,137</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>3,000</u>
Net change in fund balance	<u>(12,492)</u>	<u>(12,492)</u>	<u>(10,046)</u>	<u>2,446</u>
Total fund balance-beginning of year	<u>13,381</u>	<u>13,381</u>	<u>13,381</u>	<u>-</u>
Total fund balance-end of year	<u><u>\$ 889</u></u>	<u><u>\$ 889</u></u>	<u><u>\$ 3,335</u></u>	<u><u>\$ 2,446</u></u>

City of Leon Valley, Texas
Court Technology Fund
Schedule of Revenues, Expenses, and
Changes in Net Assets - Budget (GAAP Basis) and Actual
For the Year Ended September 30, 2010

	<u>Budget Amounts</u>		<u>2010</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Fines and forfeitures	\$ 25,000	\$ 25,000	\$ 26,402	\$ 1,402
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>26,402</u>	<u>1,402</u>
EXPENDITURES				
Current:				
Administration	6,000	6,000	18,316	(12,316)
Capital outlay	<u>50,000</u>	<u>50,000</u>	<u>11,433</u>	<u>38,567</u>
Total expenditures	<u>56,000</u>	<u>56,000</u>	<u>29,749</u>	<u>26,251</u>
Net change in fund balance	<u>(31,000)</u>	<u>(31,000)</u>	<u>(3,347)</u>	<u>27,653</u>
Total fund balance-beginning of year	65,623	65,623	65,623	-
Total fund balance-end of year	<u><u>\$ 34,623</u></u>	<u><u>\$ 34,623</u></u>	<u><u>\$ 62,276</u></u>	<u><u>\$ 27,653</u></u>

City of Leon Valley, Texas
Street Maintenance Tax Fund
Schedule of Revenues, Expenses, and
Changes in Net Assets - Budget (GAAP Basis) and Actual
For the Year Ended September 30, 2010

	Budget Amounts		2010	Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Sales taxes	\$ 368,600	\$ 368,600	\$ 421,721	\$ 53,121
Interest	-	-	932	932
Total revenues	<u>368,600</u>	<u>368,600</u>	<u>422,653</u>	<u>54,053</u>
EXPENDITURES				
Capital outlay	<u>510,169</u>	<u>403,899</u>	<u>402,824</u>	<u>1,075</u>
Total expenditures	<u>510,169</u>	<u>403,899</u>	<u>402,824</u>	<u>1,075</u>
Net change in fund balance	<u>(141,569)</u>	<u>(35,299)</u>	<u>19,829</u>	<u>55,128</u>
Total fund balance-beginning of year	555,471	555,471	555,471	-
Total fund balance-end of year	<u>\$ 413,902</u>	<u>\$ 520,172</u>	<u>\$ 575,300</u>	<u>\$ 55,128</u>

City of Leon Valley, Texas
Debt Service Fund
Schedule of Revenues, Expenses, and
Changes in Net Assets - Budget (GAAP Basis) and Actual
For the Year Ended September 30, 2010

	<u>Budget Amounts</u>		<u>2010</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Property taxes	\$ 394,012	\$ 394,012	\$ 421,599	\$ 27,587
Interest income	-	-	5,411	5,411
Total revenues	<u>394,012</u>	<u>394,012</u>	<u>427,010</u>	<u>32,998</u>
EXPENDITURES				
Debt service:				
Principal	265,000	265,000	265,000	-
Interest	149,513	149,513	149,513	-
Fiscal agent fees	<u>2,000</u>	<u>2,000</u>	<u>1,000</u>	<u>1,000</u>
Total expenditures	<u>416,513</u>	<u>416,513</u>	<u>415,513</u>	<u>1,000</u>
 Net change in fund balance	 (22,501)	 (22,501)	 11,497	 33,998
 Total fund balance-beginning of year	 <u>154,429</u>	 <u>154,429</u>	 <u>154,429</u>	 <u>-</u>
Total fund balance-end of year	\$ <u>131,928</u>	\$ <u>131,928</u>	\$ <u>165,926</u>	\$ <u>33,998</u>

STATISTICAL SECTION

Table of Contents and Explanations

This part of the City of Leon Valley's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information says about the City's overall financial health.

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CITY OF LEON VALLEY
NET ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS
(unaudited)

TABLE 1

	<u>2006</u>	<u>Fiscal Year</u> <u>2007</u>	<u>2008</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ 5,179,075	\$ 5,740,687	\$ 5,926,527
Restricted	681,139	201,168	264,984
Unrestricted	2,357,840	2,904,940	3,644,114
Total governmental activities net assets	<u>\$ 8,218,054</u>	<u>\$ 8,846,795</u>	<u>\$ 9,835,625</u>
Business-type activities			
Invested in capital assets-net of related debt	\$ 3,666,494	\$ 3,783,149	\$ 3,645,700
Restricted	351,923	296,316	183,614
Unrestricted	1,040,140	1,175,101	1,699,540
Total business-type activities net assets	<u>\$ 5,058,557</u>	<u>\$ 5,254,566</u>	<u>\$ 5,528,854</u>
Primary government			
Invested in capital assets, net of related debt	\$ 8,845,569	\$ 9,523,836	\$ 9,572,227
Restricted	1,033,062	497,484	448,598
Unrestricted	3,397,980	4,080,041	5,343,654
Total primary government net assets	<u>\$13,276,611</u>	<u>\$ 14,101,361</u>	<u>\$15,364,479</u>

Note: For the fiscal year ended September 30, 2004, the City implemented the new financial reporting requirements of GASB Statements Nos. 33 and 34. For prior fiscal years the City did not restate financial statements.

TABLE 1 (continued)

<u>2009</u>	<u>2010</u>
\$ 6,147,970	\$ 6,213,549
193,145	132,581
3,707,802	4,180,108
<u>\$ 10,048,917</u>	<u>\$ 10,526,238</u>
\$ 3,635,029	\$ 3,897,305
323,508	339,733
1,982,058	2,147,223
<u>\$ 5,940,595</u>	<u>\$ 6,384,261</u>
\$ 9,782,999	\$ 10,110,854
516,653	472,314
5,689,860	6,327,331
<u>\$ 15,989,512</u>	<u>\$ 16,910,499</u>

CITY OF LEON VALLEY, TEXAS
CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS
(unaudited)

TABLE 2

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Expenses					
Governmental activities:					
Administrative	\$ 1,190,047	\$ 765,492	\$ 779,729	\$ 805,391	\$ 940,156
Public Safety	3,878,951	4,231,521	4,193,145	4,439,516	4,525,947
Public Works	1,308,385	1,299,599	1,163,379	1,535,333	1,624,573
Parks and Recreation	144,467	86,613	128,203	100,777	144,742
Library	254,557	251,388	249,227	281,725	274,701
Community Development	118,381	604,406	583,206	680,352	664,712
Capital outlay	-	-	-	-	-
Interest on long-term debt	211,851	165,231	154,669	187,862	122,184
Total governmental activities expenses	<u>7,106,639</u>	<u>7,404,250</u>	<u>7,251,558</u>	<u>8,030,956</u>	<u>8,297,015</u>
Business-type activities:					
Water and Sewer	2,113,195	2,211,014	2,367,414	2,357,800	2,631,544
Total business-type activities	<u>2,113,195</u>	<u>2,211,014</u>	<u>2,367,414</u>	<u>2,357,800</u>	<u>2,631,544</u>
Total primary government expenses	<u>\$ 9,219,834</u>	<u>\$ 9,615,264</u>	<u>\$ 9,618,972</u>	<u>\$ 10,388,756</u>	<u>\$ 10,928,559</u>
Program Revenues					
Governmental activities:					
Charges for service:					
Administration	\$ 281,274	\$ 206,565	\$ 171,923	\$ 333,606	\$ 330,541
Public Safety	1,314,782	1,281,684	1,566,669	1,265,691	1,589,362
Parks and Recreation	10,363	11,110	12,375	12,145	15,010
Library	3,508	2,911	2,936	2,358	1,987
Community Development	194,989	127,078	112,260	133,177	97,399
Operating grants and contributions	304,252	70,218	-	127,151	9,953
Capital grants and contributions	-	552,430	-	59,409	218,790
Total governmental activities program revenues	<u>2,109,168</u>	<u>2,251,996</u>	<u>1,866,163</u>	<u>1,933,537</u>	<u>2,263,042</u>
Business-type activities:					
Charges for service:					
Water and Sewer	2,297,797	2,227,540	2,508,220	2,638,172	2,840,701
Total business-type activities program revenues	<u>2,297,797</u>	<u>2,227,540</u>	<u>2,508,220</u>	<u>2,638,172</u>	<u>2,840,701</u>
Total primary government program revenues	<u>\$ 4,406,965</u>	<u>\$ 4,479,536</u>	<u>\$ 4,374,383</u>	<u>\$ 4,571,709</u>	<u>\$ 5,103,743</u>

	TABLE 2 (continued)				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net (Expenses) Revenue					
Governmental activities	\$(4,888,052)	\$(4,997,471)	\$(5,152,254)	\$ (5,298,841)	\$ (6,033,973)
Business-type activities	17,952	184,602	16,526	140,806	209,157
Total primary government net expenses	<u>\$(4,870,100)</u>	<u>\$(4,812,869)</u>	<u>\$(5,135,728)</u>	<u>\$ (5,158,035)</u>	<u>\$ (5,824,816)</u>
Governmental Revenues and Other Charges in Net Assets					
Governmental activities:					
Taxes					
Property Taxes	\$ 2,670,674	\$ 2,922,878	\$ 3,112,736	\$ 3,427,337	\$ 3,552,821
Sales Taxes	1,713,683	1,602,192	1,781,223	1,927,881	2,207,901
Franchise Taxes	551,998	596,851	607,967	639,332	677,001
Interest and investment earnings	75,305	152,920	204,546	128,903	8,546
Miscellaneous	45,780	102,648	74,513	164,229	11,025
Transfers	15,900	-	-	-	54,000
Total governmental activities	<u>5,073,340</u>	<u>5,377,489</u>	<u>5,780,985</u>	<u>6,287,682</u>	<u>6,511,294</u>
Business-type activities:					
Interest and Investment earnings	23,665	42,340	73,948	44,841	4,444
Miscellaneous	40,765	12,582	15,634	53,137	44,575
Impact Fees	30,505	154,614	89,901	35,504	239,490
Transfers	(15,900)	-	-	-	(54,000)
Total business-type activities	<u>79,035</u>	<u>209,536</u>	<u>179,483</u>	<u>133,482</u>	<u>234,509</u>
Total primary government	<u>\$ 5,152,375</u>	<u>\$ 5,587,025</u>	<u>\$ 5,960,468</u>	<u>\$ 6,421,164</u>	<u>\$ 6,745,803</u>
Changes In Net Assets					
Government activities	\$ 185,288	\$ 380,018	\$ 628,731	\$ 988,841	\$ 477,321
Business-type activities	96,987	394,138	196,009	274,288	443,666
Total primary government	<u>\$ 282,275</u>	<u>\$ 774,156</u>	<u>\$ 824,740</u>	<u>\$ 1,263,129</u>	<u>\$ 920,987</u>

Note: For the fiscal year ended September 30, 2004, the City implemented the new financial reporting requirements of GASB Statements Nos. 33 and 34. For prior fiscal years the City did not restate financial statements.

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(unaudited)

TABLE 3

	Fiscal Year				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund					
Reserved	\$ 72,088	\$ 42,148	\$ 42,148	\$ 57,230	\$ 101,374
Unreserved	\$1,764,400	\$1,681,126	\$1,681,126	2,349,579	2,490,428
Total general fund	<u>\$1,836,488</u>	<u>\$1,723,274</u>	<u>\$1,746,196</u>	<u>\$2,406,809</u>	<u>\$2,591,802</u>
All other Governmental Funds					
Reserved	\$ 94,618	\$ 138,352	\$ 159,087	\$ 627	\$ 90,435
Unreserved, reported in:					
Special revenue funds	306,239	378,204	282,548	543,198	318,269
Capital project funds	569,857	630,809	508,445	240,131	43,013
Total all other governmental funds	<u>\$ 970,714</u>	<u>\$1,147,365</u>	<u>\$ 950,080</u>	<u>\$ 783,956</u>	<u>\$ 451,717</u>

TABLE 3 (Continued)

Fiscal Year				
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 100,730	\$ 99,626	\$ 163,442	\$ 192,916	\$ 132,581
2,544,748	2,557,994	2,713,567	3,930,887	3,066,450
\$ 2,645,478	\$ 2,657,620	\$ 2,877,009	\$ 4,123,803	\$ 3,199,031
\$ 81,739	\$ 101,542	\$ 131,748	\$ 154,429	\$ 165,926
509,282	707,371	1,251,752	1,047,443	1,272,358
961	-	-	-	-
\$ 591,982	\$ 808,913	\$ 1,383,500	\$ 1,201,872	\$ 1,438,284

CITY OF LEON VALLEY, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(unaudited)

TABLE 4

	Fiscal Year				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues					
Property taxes	\$ 2,159,625	\$ 2,314,916	\$ 2,512,157	\$ 2,582,903	\$ 2,664,930
Nonproperty taxes	2,721,351	2,842,983	2,474,362	2,420,562	2,351,336
Grants/Intergovernmental	413,854	271,280	219,752	172,098	229,720
Licenses, permits, fees and fines	1,042,417	1,286,534	1,324,186	1,566,754	1,462,806
Other	235,158	388,434	135,423	135,290	248,002
Total Revenues	<u>6,572,405</u>	<u>7,104,147</u>	<u>6,665,880</u>	<u>6,877,607</u>	<u>\$ 6,956,794</u>
Expenditures					
Administrative	856,155	980,298	905,198	969,375	1,138,676
Public Safety	3,147,703	3,287,299	3,520,998	3,475,837	3,560,463
Public Works	906,230	1,141,626	1,037,100	1,044,722	1,287,075
Parks and Recreation	19,396	64,027	65,172	92,169	103,365
Library	170,680	190,962	193,662	232,888	238,836
Community Development	107,678	136,069	100,881	95,685	91,199
Subtotal	<u>5,207,842</u>	<u>5,800,281</u>	<u>5,823,011</u>	<u>5,910,676</u>	<u>6,419,614</u>
Capital Outlay*	1,481,627	822,758	594,192	113,984	340,782
Debt Service:					
Principal	300,000	205,000	220,000	235,000	250,000
Interest and fiscal charges	239,415	228,530	218,940	208,776	198,242
Total Expenditures	<u>12,436,726</u>	<u>7,056,569</u>	<u>6,856,143</u>	<u>6,468,436</u>	<u>7,208,638</u>
Excess of revenues over (under) Expenditures	(5,864,321)	47,578	(190,263)	409,171	(251,844)
Other Financing Sources (Uses)					
Proceeds from sale of assets	-	-	-	-	-
Operating transfers in	185,863	97,673	123,130	383,839	223,900
Operating transfers (out)	(85,863)	(81,773)	(107,230)	(367,939)	(208,000)
Proceeds Tax Notes	142,416	-	-	-	-
Proceeds from CO's	-	-	-	-	-
Proceeds from Refunding Bonds	-	-	-	-	-
Payments to Refunding Bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Escrow Agent	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>242,416</u>	<u>15,900</u>	<u>15,900</u>	<u>15,900</u>	<u>15,900</u>
Net change in fund balance	<u>(414,063)</u>	<u>63,478</u>	<u>(174,363)</u>	<u>425,071</u>	<u>(235,944)</u>
Total Debt Service as a percentage of noncapital expenditures	10.36%	7.47%	7.54%	7.51%	6.98%

* Capital outlay includes items below capitalization threshold of \$5,000, therefore this amount will not agree to the value of the assets capitalized.

TABLE 4 (Continued)

Fiscal Year				
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 2,923,544	\$ 3,134,228	\$ 3,432,977	\$ 3,552,049	\$ 3,505,728
2,295,549	1,781,223	1,927,881	2,045,615	2,207,900
31,936	369,383	86,109	97,521	228,508
1,838,194	2,236,981	2,580,386	2,387,978	2,642,310
355,136	616,446	212,686	129,421	88,796
\$ 7,444,359	\$ 8,138,261	\$ 8,240,039	\$ 8,212,584	\$ 8,673,242
1,163,175	712,894	739,653	706,874	919,564
3,760,073	4,082,514	4,113,988	4,142,609	5,246,693
1,276,101	1,235,456	1,092,333	1,427,627	1,446,744
107,713	109,259	101,383	111,614	153,947
239,354	233,607	241,305	256,967	266,327
92,582	579,800	554,418	622,721	629,371
6,638,998	6,953,530	6,843,080	7,268,412	8,662,646
179,678	522,089	177,273	173,202	337,443
260,000	265,000	275,000	580,000	265,000
198,990	168,569	156,710	230,451	150,513
7,277,666	7,909,188	7,452,063	8,252,065	9,415,602
166,693	229,073	787,976	(39,481)	(742,360)
-	-	6,000	10,360	-
13,000	18,000	318,000	10,000	72,000
(13,000)	(18,000)	(318,000)	(10,000)	(18,000)
475,000	-	-	-	-
-	-	-	1,060,000	-
-	-	-	2,575,000	-
-	-	-	(2,585,000)	-
-	-	-	44,287	-
(447,752)	-	-	-	-
27,248	-	6,000	1,104,647	54,000
193,941	229,073	793,976	1,065,166	(688,360)
6.91%	6.24%	6.31%	11.15%	4.80%

CITY OF LEON VALLEY, TEXAS
TAX REVENUE BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(unaudited)

TABLE 5

<u>Fiscal Year</u>	<u>Property</u>	<u>Sales & Use</u>	<u>Occupancy (1)</u>	<u>Franchise</u>	<u>Total</u>
2001	2,159,625	1,939,635	223,316	558,400	4,880,976
2002	2,314,916	2,141,708	210,056	491,219	5,157,899
2003	2,512,157	1,799,621	125,490	549,251	4,986,519
2004	2,582,902	1,788,803	97,288	534,471	5,003,464
2005	2,664,930	1,713,683	85,655	551,998	5,016,266
2006	2,923,544	1,602,192	96,507	596,851	5,219,093
2007	3,134,228	1,781,223	98,973	607,967	5,622,391
2008	3,432,977	1,927,881	92,357	639,332	6,092,547
2009	3,552,048	1,979,928	65,688	656,329	6,253,993
2010	3,505,728	2,141,199	66,701	677,001	6,390,629

(1) Occupancy tax revenues have decreased in the past ten years due to a conversion of one hotel to apartments in 2004.

CITY OF LEON VALLEY
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 (unaudited)

TABLE 6

Fiscal Year Ended September 30	Residential Property	Commercial Property	Industrial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2001	272,098,498	219,970,454	998,420	33,442,224	459,625,148	0.468780
2002	285,718,305	242,343,135	1,991,198	35,923,764	494,128,874	0.468780
2003	300,217,136	235,620,511	2,581,682	37,627,332	500,791,997	0.499600
2004	312,279,955	244,242,621	2,467,634	39,010,640	519,979,570	0.502700
2005	314,184,627	237,061,366	2,211,035	40,898,560	512,558,468	0.517400
2006	334,283,756	246,833,519	1,965,230	40,042,855	543,039,650	0.537400
2007	380,457,461	252,192,158	1,774,770	53,686,457	580,737,932	0.537400
2008	436,832,864	272,798,655	4,728,530	67,753,134	646,606,915	0.527400
2009	454,788,574	281,431,232	5,600,760	66,158,755	675,661,811	0.527400
2010	468,647,503	281,076,061	5,246,600	62,354,128	692,616,036	0.527400

Source: Bexar Appraisal District.

Note: Property is assessed at the actual value; therefore the assessed values are equal to actual values.

Tax rates are per \$100 of assessed value.

CITY OF LEON VALLEY, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(unaudited)

TABLE 7

Fiscal Year	City Direct Rates			Overlapping Rates	
	General Fund	Debt Service	Total Direct	School District	Bexar County
2001	0.388130	0.080650	0.468780	1.674100	0.357550
2002	0.396630	0.072150	0.468780	1.737500	0.336856
2003	0.427600	0.072000	0.499600	1.762500	0.333671
2004	0.430700	0.072000	0.502700	1.762500	0.333671
2005	0.439834	0.077566	0.517400	1.762500	0.331190
2006	0.459560	0.077840	0.537400	1.775000	0.331190
2007	0.459560	0.077840	0.537400	1.592500	0.326866
2008	0.456560	0.070840	0.527400	1.262500	0.326866
2009	0.461560	0.065840	0.527400	1.302500	0.326866
2010	0.464029	0.063371	0.527400	1.337500	0.322366

Source: Information furnished by respective tax assessor.

CITY OF LEON VALLEY, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
CURRENT AND NINE YEARS AGO
(unaudited)

TABLE 8

<u>Taxpayer</u>	<u>2010</u>			<u>2001</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
H.E.B. Grocery	\$ 23,115,620	1	3.34%	\$ 15,812,380	3	3.44%
Vista Del Rey	14,730,150	2	2.13%	10,484,400	5	2.28%
Ancira-Winton Chevrolet	13,871,667	3	2.00%	20,261,040	1	4.41%
Leors Holdings	12,908,885	4	1.86%	-		
Stonewater Tower West	12,250,000	5	1.77%	-		
Barcelona Lofts	11,246,985	6	1.62%	-		
VR Shadow Valley Holdings	9,480,100	7	1.37%	-		
Southwestern Bell	8,757,410	8	1.26%	17,879,010	2	3.89%
SA West Loop II Investors	8,500,000	9	1.23%	-		
Fiesta Lincoln Mercury	7,187,420	10	1.04%	7,127,200	6	1.55%
SCIC San Antonio	-		-	7,100,000	7	1.54%
Mill Place	-		-	6,000,000	8	1.30%
Puget of Texas	-		-	5,818,480	9	1.27%
E.W. Richardson	-		-	11,241,960	4	2.44%
Merrimas Associates	-		-	5,794,750	10	1.26%
Total	<u>\$ 122,048,237</u>		<u>17.62%</u>	<u>\$ 107,519,220</u>		<u>23.38%</u>

Source: Bexar County Appraisal District.

CITY OF LEON VALLEY, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(unaudited)

TABLE 9

Fiscal Year Ended <u>September 30.</u>	Taxes Levied for the <u>Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		Collections In Subsequent <u>Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2001	2,184,455	2,129,774	97.50%	16,966	2,146,740	98.27%
2002	2,316,515	2,286,098	98.69%	19,118	2,305,216	99.51%
2003	2,632,578	2,471,586	93.88%	13,665	2,485,251	94.40%
2004	2,582,499	2,547,413	98.64%	17,094	2,564,507	99.30%
2005	2,668,164	2,609,185	97.79%	18,908	2,628,093	98.50%
2006	2,918,741	2,877,326	98.58%	22,548	2,899,874	99.35%
2007	3,121,053	3,081,888	98.75%	28,636	3,110,525	99.66%
2008	3,411,529	3,374,003	98.90%	13,805	3,387,808	99.30%
2009	3,563,440	3,364,408	94.41%	27,257	3,391,665	95.18%
2010	3,570,525	3,450,690	96.64%	-	3,450,690	96.64%

Source: Bexar County Tax Assessor Collector (TC168) and City of Leon Valley Finance Department.

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CITY OF LEON VALLEY, TEXAS
WATER SOLD BY TYPE OF CUSTOMER
LAST TEN FISCAL YEARS
(unaudited)

TABLE 10

<u>Type of Customer</u>	<u>Fiscal Year</u>					
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Residential	N/A	N/A	176,751,891	164,301,622	177,750,433	225,793,960
Commercial	N/A	N/A	136,561,805	131,347,112	133,164,020	141,720,115
Total	N/A	N/A	313,313,696	295,648,734	310,668,359	367,514,075
Total direct rate per 1,000 gallons	\$0.79	\$0.83	\$0.85	\$0.85	\$0.88	\$0.91

Source: City of Leon Valley Water Department

TABLE 10 (Continued)

Fiscal Year			
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
156,780,956	208,492,994	215,785,825	178,416,148
124,891,408	144,510,811	136,065,390	129,071,600
281,672,364	353,003,805	351,851,215	307,487,748
\$0.91	\$0.93	\$0.96	\$0.99

CITY OF LEON VALLEY, TEXAS
WATER AND SEWER RATES
LAST TEN FISCAL YEARS
(unaudited)

TABLE 11

Fiscal Year	Water		Sewer	
	Monthly Base Rate	Rate Per 1,000 Gallons	Monthly Base Rate	Rate Per 1,000 Gallons
2001	5.40	0.79	9.00	2.78
2002	6.40	0.83	9.00	2.78
2003	6.40	0.83	9.00	2.78
2004	7.40	0.85	9.75	3.21
2005	7.62	0.88	11.03	3.94
2006	7.62	0.91	11.03	3.94
2007	7.85	0.91	11.36	4.06
2008	8.08	0.93	11.70	4.18
2009	8.32	0.96	12.05	4.31
2010	8.57	0.99	12.41	4.43

Notes: Rates are based on 5/8" meter, which is the standard household meter size.

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CITY OF LEON VALLEY, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(unaudited)

TABLE 12

Fiscal Year	Governmental Activities				Business-Type Activity		Total Primary Government
	General Obligation Bonds	Certificates of Obligation	Tax Notes	Capital Leases	Revenue Bonds	Certificates of Obligation	
2001	600,000	3,535,000	705,000	118,460	445,000	-	5,403,460
2002	435,000	3,535,000	665,000	92,224	380,000	-	5,107,224
2003	260,000	3,535,000	620,000	63,853	310,000	-	4,788,853
2004	80,000	3,535,000	565,000	33,174	235,000	-	4,448,174
2005	-	3,425,000	505,000	-	155,000	-	4,085,000
2006	475,000	3,230,000	-	-	-	-	3,705,000
2007	415,000	3,025,000	-	-	-	-	3,440,000
2008	355,000	2,810,000	-	-	-	-	3,165,000
2009	2,575,000	1,060,000	-	-	-	-	3,635,000
2010	2,340,000	1,030,000	-	-	-	-	3,370,000

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

*Population and personal income data can be found in Table 16.

TABLE 12 (Continued)

Percentage of Personal <u>Income *</u>	Per <u>Capita*</u>
1.49%	564
1.41%	553
1.06%	518
0.98%	481
0.90%	442
0.82%	401
0.76%	372
0.70%	343
0.76%	393
0.70%	365

CITY OF LEON VALLEY, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(unaudited)

TABLE 13

<u>General Bonded Debt Outstanding</u>						
<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Certificates of Obligation</u>	<u>Total</u>	<u>Actual Taxable Value of Property</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita*</u>
2001	600,000	3,535,000	4,135,000	459,625,148	0.90%	432
2002	435,000	3,535,000	3,970,000	494,128,874	0.80%	430
2003	260,000	3,535,000	3,795,000	500,791,997	0.76%	411
2004	80,000	3,535,000	3,615,000	519,979,570	0.70%	391
2005	-	3,425,000	3,425,000	512,558,468	0.67%	371
2006	475,000	3,230,000	3,705,000	543,039,650	0.68%	401
2007	415,000	3,025,000	3,440,000	580,737,932	0.59%	372
2008	355,000	2,810,000	3,165,000	646,606,915	0.49%	343
2009	2,575,000	1,060,000	3,635,000	675,661,811	0.54%	393
2010	2,340,000	1,030,000	3,370,000	692,616,036	0.49%	365

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* Population data can be found in Table 16.

CITY OF LEON VALLEY, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
LAST TEN FISCAL YEARS
(unaudited)

TABLE 14

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Alamo CCD	\$ 527,597,949	0.78%	\$ 4,115,264
Bexar County	216,445,641	0.78%	1,688,276
Bexar County Hosp Dist	277,065,000	0.78%	2,161,107
Northside Independent School District	1,340,876,452	2.35%	31,510,597
San Antonio RA	45,665,000	0.78%	356,187
Subtotal, overlapping debt			39,831,431
Leon Valley Direct Debt			3,370,000
Total direct and overlapping debt			<u>\$ 43,201,431</u>

Source: Municipal Advisory Council of Texas.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses on Leon Valley. This process recognizes that, when considering Leon Valley's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

* The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within Leon Valley's boundaries and divided it by the county's total taxable assessed value.

CITY OF LEON VALLEY, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(unaudited)

TABLE 15

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed value	692,616,036
*Debt limit (10% of assessed value)	69,261,604
Bonds and certificates of obligation	3,370,000
Less: amount set aside for repayment of general obligation debt	<u>(169,360)</u>
Total net debt applicable to limit	<u>3,200,640</u>
Economic debt margin	<u><u>\$66,060,964</u></u>

	Fiscal Year				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Debt limit	\$45,962,515	\$ 49,412,887	\$ 50,079,200	\$ 51,997,957	\$51,255,847
Total net debt applicable to limit	<u>4,745,382</u>	<u>4,535,473</u>	<u>4,302,629</u>	<u>4,090,301</u>	<u>3,338,646</u>
Legal debt margin	<u><u>\$41,217,133</u></u>	<u><u>\$44,877,414</u></u>	<u><u>\$45,776,571</u></u>	<u><u>\$47,907,656</u></u>	<u><u>\$47,917,201</u></u>
Total net debt applicable to the limit as a percentage of debt limit	10.32%	9.18%	8.59%	7.87%	6.51%

* Texas statutes do not prescribe a debt limit: however, by custom a practical debt limit of 10% of the assessed valuation is used

TABLE 15 (Continued)

Fiscal Year				
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$54,303,965	\$ 58,073,793	\$ 64,660,692	\$ 67,561,181	\$ 69,261,604
3,840,998	3,338,457	3,063,457	3,480,571	3,200,964
<u>\$50,462,967</u>	<u>\$54,735,336</u>	<u>\$61,597,235</u>	<u>\$64,080,610</u>	<u>\$66,060,640</u>
7.07%	5.75%	4.74%	5.15%	4.62%

CITY OF LEON VALLEY, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS
 (unaudited)

TABLE 16

<u>Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2001	9,239	453,440,881	49,079	38.10	3,496	4.7%
2002	9,239	453,440,881	49,079	38.10	3,604	5.6%
2003	9,239	453,440,881	49,079	38.10	3,335	6.1%
2004	9,239	453,440,881	49,079	38.10	3,337	6.4%
2005	9,239	453,440,881	49,079	38.10	3,394	5.7%
2006	9,239	453,440,881	49,079	38.10	3,181	4.5%
2007	9,239	453,440,881	49,079	38.10	3,784	4.0%
2008	9,239	453,440,881	49,079	38.10	3,790	5.0%
2009	9,239	453,440,881	49,079	38.10	3,850	7.0%
2010	9,239	453,440,881	49,079	38.10	3,873	7.0%

Sources: Population, Per Capita Income and Median Age information provided by the United States Census Bureau. School enrollment information provided by the Northside Independent School District. Unemployment rate provided by the Texas Workforce Commission.

CITY OF LEON VALLEY, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(unaudited)

TABLE 17

<u>Employer</u>	<u>2010</u>			<u>2001</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Fort Sam Houston-U.S. Army	30,793	1	13.52%	N/A	N/A	N/A
Lackland Air Force Base	28,100	2	19.68%	N/A	N/A	N/A
USAA	14,852	3	10.40%	N/A	N/A	N/A
H-E-B Food Stores	14,588	4	10.22%	N/A	N/A	N/A
Northside I.S.D.	12,597	5	8.82%	N/A	N/A	N/A
Randolph Air Force Base	10,700	6	7.50%	N/A	N/A	N/A
North East I.S.D.	10,223	7	7.16%	N/A	N/A	N/A
City of San Antonio	9,000	8	6.30%	N/A	N/A	N/A
San Antonio I.S.D.	7,581	9	5.31%	N/A	N/A	N/A
Methodist Healthcare System	7,013	10	4.91%	N/A	N/A	N/A
Total	<u>145,447</u>		<u>93.84%</u>	N/A	N/A	N/A

The City of Leon Valley is surrounded by the City of San Antonio and no data is available for the employers in Leon Valley. The above data is for San Antonio.

Source: San Antonio Economic Development Foundation.

Note: Data for 2001 was not available.

CITY OF LEON VALLEY, TEXAS
 FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION
 FISCAL YEAR ENDED SEPTEMBER 30
 (unaudited)

TABLE 18

Full-time Equivalent Employees as of September 30

<u>Function</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General government				
Business Office	3.10	3.10	3.10	4.10
Finance	2.80	2.80	2.80	2.80
Manager and Council	2.80	2.80	2.80	2.80
*Police				
Officers	25.00	25.00	24.00	23.00
Civilians	8.00	8.00	8.00	8.00
*Fire				
Civilians	1.00	1.00	0.50	0.50
Firefighters and officers	27.00	27.00	28.00	28.00
Public Works	15.50	15.50	15.50	15.25
Community Development	3.10	3.30	3.80	3.80
Economic Development	-	-	-	-
Parks	1.00	1.50	1.50	1.50
Library	3.50	3.50	3.50	3.50
Community Center	1.90	2.70	2.70	1.80
Water and Sewer	11.20	11.30	11.30	11.05
Total	105.90	107.50	107.50	106.10
Source: City Annual Budget				
* Does not include reserves.				

TABLE 18 (Continued)

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
3.40	3.40	3.10	3.10	2.80	2.80
2.80	2.80	2.80	2.80	2.40	2.40
2.80	2.80	2.80	2.80	2.40	2.40
23.00	23.00	23.00	23.00	23.00	23.00
8.00	8.00	8.00	8.00	8.00	8.00
0.50	0.50	0.50	0.50	0.50	0.50
27.00	27.00	27.00	27.00	27.00	27.00
15.25	15.25	15.25	14.75	14.75	14.75
3.90	3.90	3.20	4.00	4.00	4.00
-	-	1.20	1.20	1.20	1.50
1.50	1.50	1.50	1.50	1.50	1.50
3.50	3.50	3.50	3.50	3.50	3.50
1.55	1.55	1.60	2.10	2.10	2.10
11.75	11.75	12.05	12.96	12.96	12.96
104.95	104.95	105.50	107.21	106.11	106.41

CITY OF LEON VALLEY, TEXAS
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
(unaudited)

TABLE 19

	Fiscal Year			
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<u>Function</u>				
Police				
Traffic violations	12,835	11,090	14,583	13,508
Arrests	543	1,366	991	1,038
Fire				
Fire calls	584	565	635	681
EMS calls	875	884	857	859
Inspections	1,082	1,267	624	771
Public Works				
Street resurfacing (miles)	4.5	4.5	4.5	4.5
Sidewalk construction (feet)	700	700	900	700
Library				
Reference Questions	1,494	1,809	2,716	2,859
Internet Sessions	2,825	3,141	3,691	4,385
Library Acquisitions	2,558	2,173	2,002	2,092
Water				
Service Connections	2,081	2,090	2,105	2,120
Average daily consumption	942,090	942,090	858,607	809,997
Sewer				
Service connections	2,007	2,021	2,017	2,035
Average daily treatment of gallons	1,168,983	410,000	1,063,072	1,000,000

Source: Various city departments.

TABLE 19 (Continued)

Fiscal Year					
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
16,067	14,033	12,408	15,397	11,459	11,611
1,173	1,489	1,230	1,355	1,194	1,279
703	703	805	821	793	786
881	960	961	953	1,028	1,051
898	1,094	1,282	1,299	1,167	1,351
4.5	5.0	0.5	-	5.9	5.4
700	700	500	500	500	1,463
3,159	3,142	3,142	6,056	6,083	6,000
5,058	6,336	6,336	6,320	7,483	7,354
1,704	1,281	1,281	1,857	3,487	4,861
2,110	2,177	2,255	2,369	2,444	2,469
861,904	1,006,096	1,011,527	967,133	963,975	842,432
2,031	2,098	2,272	2,440	2,306	2,387
713,639	748,112	664,496	863,347	793,443	989,705

CITY OF LEON VALLEY, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
(unaudited)

TABLE 20

<u>Function</u>	<u>Fiscal Year</u>					
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Police						
Stations	1	1	1	1	1	1
*Officers	26	26	25	25	25	25
Fire						
Stations	1	1	1	1	1	1
Firefighters	27	27	28	28	27	27
Culture and Recreation						
Community Centers	1	2	2	2	2	2
Parks	1	1	1	1	1	1
Park acreage	21.6	21.6	24.0	24.0	24.0	24.0
Libraries	1	1	1	1	1	1
Tennis courts	1	1	1	1	1	1
Swimming pools	2	2	2	1	1	1
Public Works						
Miles of streets	37.5	37.5	38.2	38.2	38.2	39.5
Water						
Miles of water mains	38.0	38.0	38.2	38.2	38.2	39.5
Number of hydrants	195	196	196	198	198	208
Sewer						
Miles of sanitary sewers	45.0	45.0	45.0	45.5	45.5	47.5
Feet of storm sewers	4,000	4,000	4,000	4,000	4,000	4,000

Source: Various city departments.

* Includes Warrant Officer(s) from the Court.

TABLE 20 (Continued)

Fiscal Year			
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
1	1	1	1
24	24	24	24
1	1	1	1
27	27	27	27
2	2	2	2
1	1	1	1
24.0	24.0	24.0	24.0
1	1	1	1
1	1	1	1
1	1	1	1
39.5	39.5	39.5	39.5
39.5	39.5	39.5	39.5
208	208	208	208
47.5	47.5	47.5	47.5
4,000	4,000	4,000	4,000

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COMPLIANCE SECTION

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HOLTMAN, WAGNER & COMPANY, L.L.P.

Certified Public Accountants

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
The City of Leon Valley, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Leon Valley as of and for the year ended September 30, 2010 which collectively comprise the City of Leon Valley's basic financial statements and have issued our report thereon dated October 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Leon Valley's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Leon Valley's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Leon Valley's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Leon Valley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However,

providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Leon Valley in a separate letter dated October 28, 2010.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Holtman Wagner & Company LLP

New Braunfels, Texas

October 28, 2010